

SEP 8 1944

The **Management REVIEW**



SEPTEMBER, 1944

COMMENT • DIGEST • REVIEW

Preparing now for
manpower
reconversion
Conference—September 27-28-29
Hotel Pennsylvania • New York City

The war continues—and management must maintain its production efforts so that our armies can deliver the killing blow. But *manpower reconversion* is a problem which management must prepare to meet *now*. The major burden of undertaking this preparatory work must be carried by industrial relations and personnel departments; they are being looked to for essential information and general guidance, and so rapidly are the industrial and military situations changing that the personnel field is under constant pressure for the latest and most authentic information. The Fall Conference of AMA's Personnel Division will be calculated to give a comprehensive picture not only of specific problems of manpower reconversion but also of those industrial relations factors that must be taken into account in rational planning of company postwar labor relations.

Sessions Will Center Around These Topics:

Re-employing the War Veteran
Wage Levels and Postwar Wage Controls
Problems Caused by Cutbacks and Contract Termination
Union Contracts
Future Influence of Government in Labor Relations
Status of Foremen
Social and Economic Objectives of Unions
Economic Factors Affecting Postwar Employment
Revision of Industrial Relations Policies and Procedures
Current Manpower Supply Conditions

Consultation by the Association with hundreds of companies in industries throughout the United States has given an accurate picture of the conditions that industrial relations departments are now facing and which they expect to meet during the coming months. The Conference has been arranged with a view to throwing as much light as possible upon these areas indicated in the foregoing list. Speakers will include executives from government, industry and labor.

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THAT business has gradually regained the confidence of the general public was demonstrated a few months ago in a *Fortune* poll which indicated that the public looks mainly to management to solve the problems of reconversion. A more recent poll discloses that management is prepared to take the initiative in getting the economy to run smoothly after the war (see pages 291-292). Indeed, a solid majority (58½ per cent) of the executives surveyed believe that individual companies will be able to cope effectively with the postwar unemployment problem.

A restrained note of optimism, conspicuous in all fields, was sounded by those questioned. Thus, 51 per cent of the executives believe that prospects for their companies will be better after the war than before, while 37 per cent think they will be about the same. Forty-two per cent of those surveyed predict that the national income will range between \$80 billion and \$110 billion two years after the war, and 41½ per cent believe it will be maintained within the \$110 billion-\$140 billion range.

"AFTER the war every tool now used in industry will be obsolete," predicted a prominent executive not long ago. While this was doubtless an exaggeration, *The Wall Street Journal* believes that efficient new machine tools will achieve substantial reductions in cost in the postwar era (*Tools of the Future*—page 308). The *Journal* cites examples of what may be expected, including the "shape-master," a machine that will bore a square hole; and an "electric eye" machine that will measure ball bearings to 1/100,000 of an inch.

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THE MANAGEMENT INDEX

General Management

Postwar Outlook for Business and Labor

WITHIN two years after the end of fighting, federal expenditures will drop from about \$90,000,000,000 to \$25,000,000,000 a year. This will represent the greatest and swiftest disappearance of markets in all history. Within a year after the fighting, eight or nine million men will leave the Armed Services, 2,000,000 will leave civilian government jobs, and 5,000,000 will be laid off by plants making combat munitions. Of 13,000,000 additional men making war goods, perhaps half will be laid off. Some of these soldiers, sailors and workers will leave the labor market altogether, but nearly 20,000,000 of them will be looking for jobs—not, necessarily, all at once, but within a year after the firing ceases. Is there any chance that this large and sudden collapse in demand will fail to plunge the country into a depression worse than that of 1933?

Let us look at the other side of the picture. We shall be living in a world of superlatives—a world of record-breaking “highs” and “lows.” When the war ends, the accumulated needs of American consumers and American business enterprises will also be at all-time highs.

Back in 1941, with 6,000,000 people unemployed, Americans were driving 29,000,000 automobiles, but by the end of 1944 the number of automobiles will be down to 23,000,000 or less. If, by any chance, employment after the war is higher than in 1940, Americans will wish to drive considerably more than 29,000,000 automobiles—probably 33,000,000 or 34,000,000.

There are over 600 articles of iron and steel that have not been made for civilian use since early in 1942. Most durable household goods, for example, have not been made since 1942. It is reasonable to estimate that, by the end of the war (say, in 1945 or 1946), the accumulation of deferred demand will be equal to two years' sales at the 1940 rate. This is a conservative estimate because in 1940 an average of about 7,000,000 persons were unemployed. This estimate indicates the following volumes of accumulated demand:

Vacuum cleaners	3,500,000
Clocks	7,200,000
Radio receivers	23,000,000
Refrigerators	5,200,000
Electric irons	10,300,000
Washing machines	3,100,000
Waffle irons	1,500,000
Heating pads	1,800,000
Percolators	3,700,000
Toasters	4,500,000

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E X

The annual increase in the number of families in the United States is about 550,000. If every house lasted forever, we should need about 550,000 new dwelling units each year to provide for the increase in families. In 1942, the number of permanent dwelling units constructed was 358,000; in 1943, it was still less; and in 1944 it will be even less than in 1943. By the end of 1944 there will be a deficiency of at least 750,000 in the number of permanent dwelling units constructed since Pearl Harbor.

Great and pressing needs for goods do not necessarily mean demand. That requires purchasing power. During the last three years individuals have been compelled, by the sheer scarcity of consumer goods, to save over \$75,000,000,000.

Business enterprises have also greatly increased their liquid assets. Although the tax liabilities of corporations increased nearly \$15,000,000,000 between 1939 and 1943, their holdings of cash, bank deposits, and government securities increased by \$25,500,000,000 and their net working capital by \$17,000,000,000.

No one really knows whether business immediately after the war is going to be good or bad. The greatest and quickest disappearance of markets in all history is going to hit a community which has a far greater accumulation of needs and a far larger accumulation of purchasing power than have ever before existed. Perhaps men will refuse to use their record-breaking holdings of purchasing power to satisfy their huge accumulated needs. Never before, however, have people who are well supplied with purchasing power been unwilling to use it to feed and clothe themselves and to provide themselves shelter, education, travel and amusement. If a great and prolonged de-

pression follows the war in the United States, it will be because people who have more money and liquid assets than they have ever owned are unwilling to use it to satisfy their needs.

What are likely to be the demands of business? The replacement of equipment will be large. It is likely to run one and one-half times corporate depreciation allowances, or about \$12,000,000,000. Industrial construction, for a while, may be expected to be small, because business enterprises will await the clarification of economic trends before making long-term plans.

The demand for housing may be held down for a year or two because people will await clarification of economic conditions before starting to build. At any rate, let us hope that it is slow to rise. If it is no greater in physical volume than the low level of 1939, it will be about \$2,600,000,000 in 1943 prices.

The postwar demand for goods is likely for a year or two or more to test the productive capacity of American industry, but business enterprises, with moderate improvements in efficiency, should be able to prevent a disorderly rise in prices from being started by an excess of demand. This does not mean that a disorderly rise in prices might not start from the side of costs—by failure of management to keep costs properly under control.

It seems plain that the first decade after the war will be a period of major shifts in demand—a period in which economic stability will depend upon our success in offsetting decreases in demand for some products with increases in demand for other products. Stability will require that business policies and national economic policies reflect much common

sense, foresight and self-control. Stability will require that the economy be equipped with powerful stabilizing devices to prevent disorderly rises in prices and speculative buying on the one hand, and, on the other hand, to prevent "air pockets" in demand from producing cumulative increases in unemployment.

As the accumulated demand for durable consumer goods, goods for inventories, and industrial equipment subsidies, we must depend for stability upon a rise in demand for industrial construction and residential building. Given sensible tax policies, the potential demand here is likely to be very large.

The present high levels of factory employment have been achieved only by working many people nights. With 57,000,000 people employed after the war, the number of non-government jobs will be 3,000,000 more than it now is. These people will need places to work and ma-

chines to run. In most industries they will not be content to get employment opportunities by working nights, and employers will not be disposed to pay night-shift premiums if the demand for goods seems to be fairly permanent. Hence a large volume of factory construction will be needed. Furthermore, in competition with modern one-story factories, many old multiple-story factories will be obsolete.

These are simply some of the potentialities outlined in broad strokes. They indicate that high-level employment is easily within the range of practical achievement. They indicate also that shifts in demand may be large and even sudden, and that stability in total demand, production and employment will be achieved only by wise planning.

From an address by Sumner H. Slichter before the annual meeting of the Committee for Economic Development.

Free Enterprise: What It Means to Labor

IN hundreds of advertisements, in speeches on the platform and over the radio and through all the other instruments of 20th century publicity, America's major industrial firms and the spokesmen for organized business have unceasingly exhorted the people of this country to "preserve free enterprise."

In view of these clarion calls, it may be assumed that many of our leading business men entertain some fear that the continuance of free enterprise in the United States is seriously threatened and that public opinion must accordingly be mobilized for the defense of our economic system against those who wish

to see it emasculated or abandoned.

To business men who have such apprehensions it will be comforting to learn that free enterprise—*genuine* free enterprise—enjoys the firm support of the American Federation of Labor and its millions of members. We are convinced beyond doubt that the American way of life holds more possibilities for the good of all the people than any other way.

But, as is the case with many other terms that are widely used in present-day discussion, free enterprise is variously understood and variously defined. Notably, the concept of free enterprise held by many business men does not coincide

in all particulars with that of wage-earning people.

At least some business men still regard free enterprise as a system under which those who own businesses must have the absolute and unquestioned right to do exactly as they please, with no concern or responsibility for the public interest or the well-being of their employees. Under their feudalistic conception it is not only proper but virtually mandatory to resist unionization and collective bargaining; as they see free enterprise, it means freedom to use industrial spies, tear gas and firearms to block organization of workers. Similarly some business men regard as utter nonsense the suggestion that free enterprise, if it is to continue, must provide jobs for all after the end of the war.

When American labor states that it endorses and supports a free economic system, it is expressing its preference for a system that is truly free as against one where the economic life is directed by an all-powerful state. Labor is opposed to state control of the economy. But let no one jump to the conclusion that since labor opposes state control, it is willing to have private individuals and concerns twist, hobble and rig the economy in defiance of true free enterprise. Totalitarian governmental control is repugnant, but so, too, is private monopolistic control. Industrial combinations so mighty that they can compel the consumer to pay whatever prices they choose to set are not representative of free enterprise as labor understands the term.

What then does free enterprise mean to labor?

Free enterprise, as labor understands it, must be a system which, while based on the profit motive, recognizes and ful-

fills its responsibility to provide workers with jobs, and does this not out of any altruistic impulse but out of an appreciation that full employment is essential to prosperity.

A truly American system of free enterprise must be based on fair trade practices and upon honest dealing and fair value. As American labor understands it, free enterprise does not admit the use of sham advertising, tie-in sales and unfair combinations in restraint of trade.

The American worker believes that he has an important place in the system of free enterprise. He believes in capitalism; he believes in private property and wants to have some of it. He looks to free enterprise to enable him, through work, to secure the good things of life for himself and his family. He expects free enterprise to make it possible for him to accumulate a reserve sufficient to provide him and his dependents with reasonable security. To labor, free enterprise means a system in which free labor and the workers' right to join together for their economic betterment are accepted without question, a system in which bona fide collective bargaining is recognized as an essential element, a system in which the oppressive practices exposed by the LaFollette Committee are beyond the pale.

To labor, free enterprise is a system that protects and improves the national wage structure, thereby protecting the national purchasing power. American industry's best customer in postwar days will be the American people. What they can afford to buy will depend on whether they, as producers, are paid a really fair share for their services.

More than this, free enterprise in the future must conserve its assets, including

its *human* assets. No responsible corporation fails to provide for upkeep and replacement of machines. But, generally speaking, few corporations make any provision for maintenance and depreciation costs of manpower. What is politely termed an efficiency expert, we of labor have learned, is usually the fellow who can get the most work out of the personnel in the shortest time—and then escape paying for the damage.

That is not free enterprise. Our nation cannot afford to waste its resources, human or material. Genuine free enterprise would adopt a conservation policy for both.

It is time for labor and business to get together and work out the ways and means of keeping our tremendous economic machinery working at full capacity

in postwar days. We know that production power and purchasing power sustain and revitalize each other. We can gear our economic machine to balance these two powers.

If the end of the war is followed by any extended period of mass unemployment, then free enterprise will have failed. American labor, as represented by the American Federation of Labor, is ready and willing to cooperate to the fullest extent with business and government to the end that this does not happen. The same type of cooperation that has made America really the arsenal of democracy during these days of war can make America a citadel of better living in the days of peace. BY GEORGE MEANY, *American Federationist*, June, 1944, p. 3:2.

Questionnaire Killers

FIFTY-EIGHT full-time questionnaire-killers are on duty in Washington under the direction of the Bureau of the Budget. Supported by 208 part-time reservists from the ranks of private business, who serve on voluntary advisory committees, their biggest current problem is the simplification of contract termination and renegotiation reports. Already they have helped put into use a standard form which has speeded up renegotiation procedure by three or four weeks, and they are now giving their attention to streamlining termination statistics.

Typical of the feeling among business men was a news letter which received wide circulation among utility firms, reporting results of a survey among 58 companies in six states. This indicated that during the first eight months of 1942 the companies had spent almost 1,000,000 man-hours compiling special reports for government agencies.

Budget Bureau officials report happily that complaints from business are ebbing. They explain, moreover, that the number of actual forms eliminated is no accurate measure of the breadth of the simplification job. Almost every form reviewed and approved has been revised in some way. More work has been done in streamlining approved forms than in cutting out non-essential reports.

The simplifiers have problems of their own in deciding what changes will make a government form simpler or clearer. One such case was a questionnaire which asked the reader to state "the amount of cash on hand." Members of the advisory committee found there were 10 known definitions of the term "cash" as applied to financial reports. They still haven't agreed on one.

One problem still remains to be licked: the issuance of "bootleg" questionnaires by regional offices of government agencies. These spurious forms are mailed without the approval of the Budget Bureau and often are not seen by any official except those who send them. The Bureau feels it is making progress in this drive, and regional agencies have been notified to submit drafts of all proposed questionnaires to headquarters.

—The Wall Street Journal 6/15/44

Industrial Elephantiasis

By RALPH R. BROWN*

INDUSTRIAL elephantiasis, or advanced expanditis, is one of the more serious industrial diseases reaching epidemic proportions during periods of war. It is not connected with the ravages of famine, fatigue, vitamin deficiency or breakdown in sanitation control, however. Rather it is related directly to the amount of money in the pockets of John Doe. Industries directly or indirectly connected with the war effort are particularly susceptible. Stages of the disease proceed as follows:

PROGRESS OF THE INFECTION

Stage 1: Unusual swelling of the sales region, rapidly followed by enlargement of all other parts. Feelings of constriction result, and various appendages are acquired to accommodate the swelling. Headaches are intense and chronic—generally associated with extreme frustration on the part of top officials in their attempts to maintain direct control over operations. Communication system becomes sluggish and incoordinated. Production constipation, due to manpower anemia, depleted material, and unionitis, is common. Feelings of unreality arise from the rapid growth.

Stage 2: General numbness almost akin to anaesthesia, in which euphoria replaces the anxious frustration of the first stage. Myopia develops rapidly to the point where only the P & L statement can be seen—and from this the patient characteristically develops delusions of genius. Such delusions are strengthened by the cheering of stockholders as profits

continue to rise. Sense of smell becomes affected—the organization appears to give off a vitalizing incense. Other odd symptoms may appear, such as blowing of trumpets on the production line; or bizarre systems of standard costs, understood only by the professor who wrote the book.

Stage 3: Particularly violent! Sudden reduction in the original swelling of the sales region. Headaches reappear with increasing intensity. Severe contractual pains are felt. Trumpet blowing stops. Patient has nightmares of drowning in vats of red ink. Sense of smell returns to normal, whereupon patient becomes nauseated with organizational odors. This stage may be fatal—if profits fail to supply needed nourishment.

Fortunately, few cases have reached the third stage. If treatment is started in the first or second stages, the disease may be checked. Treatment consists of getting the organization back to a low-cost, fast-moving basis, geared for competition rather than cost-plus.

THE BURDEN OF BIGNESS

It is a simple matter for an expanded company to lull itself into a sense of security over the fact that its physical and financial assets have increased. It can now make the items it formerly purchased. Through acquisition of transportation facilities or sources of raw material, it believes it is in a position to beat competition through lowered costs. It is likely to overlook the fact that it has now taken upon itself the burden of

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the big fellow—a burden which prevents the large corporation from reaping the benefit of its integration and capitalization.

This is the burden of size, of weight, of slow movement. Changes in the business cycle, creation of new processes, discovery of new sources of supply or cheaper materials and other factors, such as new patents, designs, competition and political upheavals, require rapid alteration in methods and type of production.

The large corporation is at a disadvantage in this respect since it cannot move so rapidly as its smaller competitor. The small company can almost immediately redirect its organization and methods to conform with changes in circumstances; and despite its lower capitalization and lack of integration, it can compete with—at times surpass—the large concern, which accounts for the occasional decline of industrial giants into obscurity. When business starts on the upswing, the little fellow may be banking his profits before the large corporation completes its retooling or rearranges its production schedule. Conversely, on the downswing the small company can “pull in its horns” while the lumbering industrial giant is debating the pros and cons.

INCREASING SPEED OF DECISIONS

Fundamentally, the problem is to increase the speed of decision. Top executives find themselves working through several layers of supervision, and the time factor can be reduced only through proper procedures and organization. When low-cost operation is the goal, the advantages of integration and capitalization vary directly with the speed of decision. Top management can determine

its status by checking on the following points:

1. *Is the type of organization suited to the requirements of the business?* The nature of the product and its distribution determine to a large extent the type of organization best suited to efficient operations. The pros and cons of centralization versus decentralization must be determined on an individual-company basis rather than through any rule of thumb. The same reasoning also applies to the type of line and staff structure, including the extent to which the staff should operate on a control, service, coordinative or advisory basis. Full consideration should be given to the possible advantages of establishing service bureaus to centralize such functions as tax, traffic, statistics, research, etc. Under certain circumstances, this centralization results in considerable savings, as well as allowing for the employment of better-qualified personnel.

2. *Is the division of the work on a sound basis?* Taking into consideration the factors discussed under the first question, consideration should be given to the breakdown of the work as indicated by the various departments and bureaus. If a supervisor is required to handle too many problems calling for knowledge or experience in widely separated fields, he will tend to handle those that are familiar and neglect those out of line with his interests or training. Proper grouping of elements and clear demarcation of the area and limits of responsibility will increase the speed of decision.

3. *Is there a proper ratio of supervisors to subordinates?* The number of decisions, regardless of their variety or complexity, must be maintained within reasonable limits. Under some conditions

of organization, production bottlenecks occur simply because the supervisor does not have time enough to pass upon matters, even if only elementary decisions are involved. The remedy is complete reorganization of the department, or a more simple solution may be found in the form of delegated authority controlled by specific policies and regulations.

4. *Are company and departmental objectives clearly defined?* Effective coordination of effort requires a clear statement from top management setting forth the major objectives of the company as a whole. These general objectives are further clarified and detailed by departments. Finally breakdown is made by bureaus and units in order that each employee may contribute to the major objectives.

5. *Has responsibility and authority been clearly defined and properly delegated?* The answer is almost always "yes" to this question. Yet there is no principle of organization which is more universally ignored. The process of defining and limiting the authority and responsibility of top officials is frequently considered too painful or too dangerous. Somebody's feelings might get hurt. Let them fight it out, and may the best man win. The winner is generally the competitor.

6. *Are company policies adequate and understood by all personnel concerned?* Company policies save time and prevent errors. They clarify the company's viewpoint and answer innumerable questions which would otherwise require repeated consideration. Without clearly defined policies, departments and bureaus may find themselves working at cross-purposes; decisions are delayed, and top management is called upon to

answer questions which could easily be handled by supervision at a lower level. Supervisors should, therefore, be on the alert for questions which are repeatedly coming to their desks for decision. Whenever such a question is found, a policy should be issued.

7. *Are decisions being made at the lowest possible level of supervision?* A thorough study of problems being referred to various levels of supervision will indicate the extent to which sound organizational principles and practices are being applied. With properly trained personnel, clearly defined fields of responsibility and proper delegation of authority, supervisors will refer to a higher level of authority only the questions and problems which extend beyond their functional fields.

8. *Are programs and schedules planned in relation to the budget?* The attainment of objectives must generally be spread over a long-time period; therefore schedules should be arranged on an annual basis to cover the most urgent projects. The extent of the program, however, must be related to the importance of the objective to the over-all company program as reflected in the departmental budget or as otherwise approved by top management.

9. *Is the flow of work organized for maximum efficiency?* Principles of organization must be applied to the flow of work as well as to the personnel. In fact, it is rather difficult to separate the two, since the number and type of employees—i.e., the organization—depends directly upon the type, volume and organization of the work to be done. Top management should satisfy itself that competent studies have been made of

work flow and methods of insuring efficient performance.

10. *Are workers employed at their maximum skill?* Closely related to the above questions is the problem of organizing the work in such a manner that each employee is working full time at the skill which governs his rate. Considerable savings can be achieved through the breakdown of highly skilled jobs into a series of semi- or unskilled operations and seeing to it that the high-skilled man whose job cannot be simplified is working full time at his top skill. The same principle applies to supervisors, many of whom are inclined to spend time on clerical details.

11. *Does the company have an adequate set of manpower controls?* Have adequate measures been taken to secure the right kind of employee and place him on the right kind of job, with full consideration of his possibilities for long-term development? Top executives are quick to recognize the necessity for adequate controls over finance, materials, purchasing, distribution and production. They are less inclined to set up means of measuring the effectiveness of their manpower, although this is generally the largest single item of expense. A considerable amount of time and money is lost every year through selection of the wrong people and placement of the right people in the wrong jobs. Control of selection and placement involves the use of clear-cut position specifications, which should clearly describe the technical and personal qualifications essential to adequate performance. Qualities essential to promotion should be listed also; and wherever possible, objective tests should be employed. In order to maintain a steady supply of skilled workers and su-

pervisors, consideration must be given to the development of employees in the lower age and salary brackets. Assuming such employees have been properly selected, their growth in the organization should be on a planned basis. All supervisors and employees with special skills should have understudies in order to insure against the loss caused by turnover in the higher brackets. Many companies have been suddenly faced with the task of replacing a key man only to find themselves without an adequate replacement. It is frequently difficult to locate an outside replacement, and even when this is done, his introduction into the department tends to lower morale by shaking the faith of the other employees in the company's principle of promotion from within.

There is a fairly widespread use of standards of performance on non-supervisory, non-clerical jobs which allow for quantitative measurement of production. The engineering principles which have been used in the operating departments, however, have seldom been applied to indirect labor, particularly office and supervisory positions. If top management is to maintain control over these important items of labor expense, attention must be given to the development of performance standards which will furnish a basis for more significant information than that usually contained in merit rating forms.

12. *Is full consideration being given to the problem of continuous improvement?* Attention must be directed to the need for research and for contact with other organizations and associations. The pressure of day-to-day work often-times results in the neglect of this aspect of organization.

13. *Are written plans and policies available covering the problems which may be anticipated with return of the veterans?* In order to insure conformity with Section 8 of the Selective Training and Service Act, it is imperative that a sound basis for handling these problems be established. Unless responsibilities are clearly fixed, records set up in good order, policies established, and adequate procedures installed, many companies will, in the postwar period, find themselves facing the consequence of unsound precedents, inadequate information, and general inconsistency and confusion. In this connection, the postwar problems of the non-veteran employees should also be considered. In our natural enthusiasm for the service rendered by the veteran, it is conceivable that company policies and procedures may be established which

threaten the security of the non-veteran. Should this happen, antagonisms will develop between the two groups, with resultant morale problems.

14. *Finally, are detailed plans available for operation under lowered sales volume?* The ebullient phrases concerning the probability of full production in the postwar period should not lull us into a false sense of security. Experience dictates the need for a definite plan of action showing where and how to cut with least interference with organization efficiency. If the plan is available now it may save the indiscriminate and costly slashing which generally results from depression hysteria.

The above list is not all-inclusive, but it provides sufficient medicine to start the patient suffering from industrial elephantiasis on the road to recovery.

Executives Are Optimistic

A BASIC fact in executives' thinking today is their optimism, results of a *Fortune* poll indicate. This optimism is conspicuous in all fields, as the answers to this question show:

In general, does it seem to you that after the war the prospects of your company will be better, or worse, or about the same as they were before?

Better	51.2%
About the same	36.8
Worse	8.5
Don't know	3.5

The important question today, however, is what the optimism leads to. Does it suggest to the business executives

that this would be a good time, say, to try some of the new ideas for raising the national level of prosperity, or does it convince them that the time is again ripe for complete laissez faire?

To answer that question it is necessary to know first what these leaders think about the probable course of the national income after the war. *Fortune* asked for their ideas.

	Two years after the war	Five years after the war
Under \$80 billion	6.5%	15.4%
Between \$80 and \$110 billion ..	42.3	36.5
Between \$110 and \$140 billion	41.5	32.3
Between \$140 and \$170 billion	7.5	11.9
Over \$170 billion	2.2	3.9

Suppose that a large volume of un-

employment does develop—what should be done?

Which of the following statements comes nearest to what you think should be your company's position regarding large-scale layoffs during the change-over period? the executives were asked.

It is useless to try to avoid them	7.8%
Each company should make its own provision to soften the blow	58.5
Industries should get together on policies to reduce layoffs.....	19.5
Each company or industry should make provision but, as some will not, Congress should work out some equitable plan to require it	7.1
Don't know	7.1

There is optimism indeed in the answers to this series of questions. A solid majority of business men apparently think that the postwar unemployment problem can be kept within bounds solely by the action of individual companies. However, commercial and utility executives, much of whose markets are in and around their own communities, are not so sure. Among them the percentages for joint industry action against layoffs were higher than among the other groups. At least some important sections of the business community feel pinched by the individualistic approach.

Lastly the executives were asked to rate a list of businesses or fields as to which held the greatest promise for the future. Here are their selections:

If a young man looking for a start after the war had to choose between the following industries or fields, which would you advise him to make his first choice?

Chemical industry	50.6%
Merchandising	18.3
Foreign trade	11.9
Housing construction	10.0
Household appliances	9.5
Transportation	8.8
Radio manufacture	5.2
Finance	2.4
Publishing	0.8
	117.5%

The chemical industry was almost too obvious to mention. It has made such a name for itself in recent years, indeed, that it has put the other fields here in the shade. But note the high vote for merchandising. And while finance is held in poor esteem by executives in other lines, the financiers gave it at least a fair number of first choices, even in competition with chemicals. Judging from the spread of first choices, in fact, the country's business leaders think there are many good bets in America *Fortune*, May, 1944, p. 8:5.



Postwar Planning

THE problem of returning to peacetime production must obviously vary with the company, but we all intend to remain in business after the war. The Walter Kidde Company expects to be manufacturing the same products then as now, and hence I propose to limit my discussion to the problems concerning this type of reconversion.

The first step was an analysis of our sales prior to the war period and a study of postwar sales to the best of the sales department's ability. Then, in production control, we broke the forecast down by means of material lists, into assemblies, sub-assemblies and component parts. Requirements for individual parts were analyzed on the basis of the assumed volume, for most economical method of manufacture—special purpose machines, automatic, semi-automatic and manual. Estimated machine time was determined for each operation for each part and summarized to give a total number of machine-hours required for each type of machine.

These figures, incidentally, also gave us our requirements for direct labor, broken down to various skills, such as Class "A" assemblers, Class "A" hand-screw operators, etc. Also certain indirect labor could be figured at this point, including toolmakers, methods men and certain classes of maintenance men.

The next step was to determine actual machine and floorspace requirements. Here we used the man-hours and machine-hours previously determined and assumed one-shift, five-day week opera-

tion. Floor areas were calculated from the number of machines and men on the basis of fixed ratios of these quantities developed in our company over a number of years. Next, our various buildings were checked against our floor area requirements.

Layout drawings have been of great value to us in making decisions in the past several months as changes in current layouts were required. We have tried, as far as possible, to make our current needs coincide with the over-all plan in order to reduce the amount of work to be done later.

Standardization of parts is handled by our production control group, which has one man constantly reviewing the stock records. Parts that have not moved over a three-month period are brought to the attention of this group, so that it can review the planning records to be sure there is no possibility of unusable material remaining on hand.

The second phase of our postwar planning deals with contract terminations. In theory, we are considering cancellations and cancellation charges as a separate business and income. With this thought in mind, we have appointed a contract termination officer who reports directly to our treasurer. This man is responsible for the activities of the various departments involved in any cancellation charges, etc., and also for handling the company's side of negotiations with government representatives and representatives of other companies in final settlement proceedings. In addition, within every department affected by cancellation proceedings, we have set

up the necessary personnel to handle the details. In the sales department, for example, we have a group responsible for analyzing all "hold notices" and "cancellation notices" as they are received, and for advising the production control department of the receipt.

The sales department ties in the cancellation with the shop order and all available information pertaining to quantities, types of material, as well as the shop order number, and forwards it to the production control department—which immediately "flags" the shop order and advises the shipping and packing sections, etc. Simultaneously, the order group in the production control department analyzes the various components called for to determine whether or not the material can be applied to other orders. If it is impossible to allocate material to other contracts, the order section breaks down each component to its ultimate piece-parts and determines the present stock position, in-process position, and on-order position of each of the parts. Wherever possible, material on order is canceled to the total of the material required on the canceled contract. When this is done, cancellation charges from our vendors are determined and added to any charges which we might encounter in our own plant on other parts.

The production control department then totals up the number of each piece-part allocated to the canceled contracts and the condition of each; that is, finished, finished through the first operation, etc. These quantities and descriptions, together with any vendors' charges are transmitted by the production con-

trol department to the accounting department, which prices the parts involved in the cancellation, and adds such other charges as are applicable, including direct engineering charges, DPC rental, etc. If, after material has been bonded for a given contract, a new contract is received, which can absorb some of the materials charged to the canceled contract, this fact is picked up from the order section records. The material is then removed from the bonded warehouse and a credit put through from the production control department to the accounting department and so on back to the customer.

Special account numbers have been established to cover the time spent on termination work. All of it is deducted from the overhead of manufacturing and shipping our regular product line, and at the same time these charges serve as the overhead involved in handling terminated contracts. In this way separate figures are maintained and charged back to the contracts which have been canceled.

We have also analyzed our final position from the point of view of over-all cancellations, including our financial position at various ratios of cancellations to remaining backlog. At the same time, we have estimated the number of people required in each department to handle cancellations on a larger scale. It is our present thought that as cancellations increase, we shall likewise see a decrease in production requirements. We plan, therefore, to transfer people from productive work to cancellation work.

From an address by M. V. Lundergan before the Society of Industrial Engineers.

Office Management

Recording Simplified Procedures

AS an insurance group, we have certain standards of service, certain principles of operations, certain methods of treatment of policyholders and claimants, all of which we describe as the "policy back of the policy." This simply means our way of doing business, which—as our advertising points out—makes policyholders' interests our first consideration. Our problem was to make that way of doing business uniform in every Hardware Mutuals' office, regardless of where they were or would be established.

Like the famous 57 of the Heinz Company, approximately 57 general manuals have been prepared by the home office for the guidance of our field offices. About 25 cover home office jobs; another 25 pertain to local situations in our field offices. In addition, we have what is known as the "master index."

This master index is an important feature in our system. Suppose, for example, a question arises concerning the rates of dividends on different types of casualty insurance coverages which we have paid to our policyholders each year since organization. A new employee needs only to refer to the master index to determine the name of the manual in which the subject of dividends is covered, then to the index of the individual manual.

The majority of our manuals are either written or edited by what is known as our Standard Practice Division, which is under the supervision of a standard practice manager reporting to the vice

president in charge of office management.

Manuals which are prepared by the Standard Practice Division cover the work of our various service units, such as filing, stenographic, calculating, duplicating and policywriting. Those written outside of the Standard Practice Division and edited there deal with underwriting, instructions to salesmen, adjustment of claims, and others. Then, since we know that no one sitting in our home office in Stevens Point, Wisc., could satisfactorily describe all local conditions, we have local manuals which are prepared in the field offices.

Control of the distribution of manuals rests in the home office, where master records showing the quantity of each manual turned over to each field office are kept. Individual employee records are maintained in the field offices to facilitate the distribution of revisions and to insure that when an employee is transferred or leaves our companies, we will know the manuals charged to him.

Then, since we have found by experience that you cannot simply hand out correction pages and expect each employee to keep his own manuals up to date, we make one person responsible for insertion of revision. Other employees are given a notice citing the pages that have been corrected, and asking them to destroy the old ones.

It should be kept in mind, however, that there are relatively few complete manual sets in use. While we have one complete set in each of our large offices,

the individual has only those which directly affect his job.

In order to accumulate material for the revision of our recorded practices, our Standard Practice Division has a folder on each manual containing material to be included at the next revision. Most of this will be in bulletin form, *but in every instance it will cover items on which decisions have been made.* At revision date it isn't necessary to go into a huddle and get decisions. *Revisions of manuals will be delayed if they have to*

wait for investigation, presentation of facts, and decisions.

It is our intention to have procedures written up so as to indicate:

What is to be done.

Who is responsible for the performance of an individual operation.

When the operations are to be performed.

From an address by K. B. WILLETT at the Twenty-fifth Annual Conference of the National Office Management Association.

How Industry Trains Office Supervisors

INDUSTRY'S attitude toward the training of office supervisors is marked by good intentions. There is no doubt about what ought to be done in this direction. How to do it is fairly clear. But the task of starting a program and obtaining results is now one of surmounting obstacles to action.

It is interesting to note the answers to two questions on supervisory training as reported in the *NOMA Forum*, June, 1942:

Has your company ever had training courses for supervisors?

Yes—24

No—40

Does your company attach as much importance to the training of supervisors as to training of non-supervisors?

Yes—26

No—32

Present activity in training of office supervisors and candidates for supervisory positions varies considerably. The following summaries illustrate how some

companies are developing office supervisors:

Co. 1. "Training is conducted on the job by the headquarters staff of the General Office Manager, who travel to all sections of the country for this purpose."

Co. 2. "Usually a person has grown up in the type of work he will supervise. In the office he is put in the job and is counseled by his immediate superior. We have held quite a number of training schools for our field personnel. Men promoted from the rank of assistant manager to branch manager are brought to the company's headquarters for a week of consultation with the unit heads in the office whose work has to do with branch operations."

Co. 3. "Trained by higher management in policy and job relations. Conference method used extensively. Stimulating literature is supplied. Temporary assignments of from three to six months are made to the headquarters staff to permit closer observation, develop staff viewpoint in field supervisors, and to discover or develop hidden talent. Courses are used to some extent."

Co. 4. "We have had, for many years, a two and one-half year 'cadet' training program for selected employees. The Company has also conducted an extensive evening class program, and undertaken training programs on Company time for

employees in supervisory positions. In this latter field, we have used both TWI and ESMWT courses, together with materials developed with the Company."

Co. 5. "Office supervisors are trained by conferences with the Assistant Office Manager. These conferences occur once a month and last an hour and a quarter. In these conferences new procedures, plant policies, the manpower situation, efficiency, etc., are discussed. The supervisors are also given the Job Relations Training program, and they are encouraged to obtain training in local educational institutions relevant to their job."

Co. 6. "In supervisory development, three basic training mediums are in general use. The first of these is visualization through the presentation of information by screen projections of various kinds, in written material, such as manuals, charts and pictures. Another medium is the project method, which is a cooperative participation of a representative group to achieve certain objectives in supervisory training; and the third is group discussions based on an exchange and stimulation of ideas and information by group thinking."

The training program, whether designed for potential or experienced office supervisors, has essentially three major objectives:

To help in acquiring essential job skills and knowledge.

To develop skills and appreciation of methods for helping others get work done.

To develop skills and information essential for sound human relations.

The Training Within Industry Service presents a classification of essential knowledge and skill applicable to office supervisors:

Knowledge of the Work—materials, machines, processes, operations, procedures; technical skill and information.

Knowledge of Responsibilities—policies, agreements, rules, regulations, safety, schedules, interdepartmental relationships.

Skill in Leading—increasing production by helping supervisors to improve their understanding of individuals, their ability to size up situations, their ways of working with people (Job Relations Training).

Skill in Planning—improving job methods by having supervisors study each operation in order to combine, rearrange and simplify details affecting the use of materials, machines, tools, manpower (Job Methods Training).

Skill in Instructing—shortening training time by breaking down jobs into simple operations, making the learner receptive, presenting the instruction, trying out his performance, following up for results (Job Instruction Training).

The methods which predominate in the training of office supervisors are under study, conference, publications, and supervisory manuals. Some organizations also have lectures, discussions, motion pictures, slide films, correspondence courses, special individualized training, internship, multiple management committees, company schools, and outside school training.

During the last year the Hardware Mutual Casualty Company, Stevens Point, Wisconsin, inaugurated a program for training its supervisory personnel. This organization believes that fruitful results will be obtained from its efforts in an extended program described as follows:

Early in the development of our program, we recognized two basic principles. First, any supervisory training program would have to stem from top management and have the wholehearted support and backing of our officers and executive group. Second, in order to get continuous and lasting application of a program for the improvement of supervision throughout our companies, it would be necessary for us to place something tangible in the hands of every supervisor to serve as a guide in meeting problems of personnel relations.

Based on these two principles, we first prepared a Supervisors' Handbook which represents the philosophy of our companies regarding the handling of people, and attempts to give practical suggestions regarding the responsibility and authority delegated to our supervisors.

The Handbook covers nine major topics: selection; induction and training; promotions, transfers and dismiss-

sals; orders and discipline; grievances; leadership and cooperation; equipment and supplies; salary administration; and management aspects of supervision.

How is this Supervisors' Handbook used in training? All supervisors are given a copy of the Handbook. They have ample time to read and reread it. Then a series of conferences is announced for all supervisors in the home office. Small discussion groups are organized. This begins with top executives, and gradually the program is extended to the lower organization levels. The groups attend four discussion conferences of four hours each, one session held each week. Through this procedure the manual was gradually translated in terms of the experiences, problems and language of each level of the organization.

For experienced office supervisors in many organizations training is not often

formalized. There is general interest in TWI courses. Training programs for experienced office supervisors are commented on by a number of organizations:

Co. 7. "We encourage all our people to continue outside study, and pay part of the tuition as part of the encouragement. We occasionally organize classes in public speaking. We have had TWI training."

Co. 8. "For many years we have offered correspondence courses and evening classes to our office people on a voluntary basis. These in general, however, were not used by supervisors. Recently our office supervisors have all had the JRT Course put out by TWI."

Co. 9. "Formalized program is prepared for each year. Supervisors have had TWI courses in Job Methods Training, Job Relations Training and Job Instruction Training. We formerly offered certain of our own Out-of-Hours courses but have not scheduled any in the last few years."

From an address by Richard S. Schultz before the 1944 Seminar of the Office Management Association of Chicago.

Trend of White-Collar Earnings

WHITE-COLLAR workers, as represented by clerical and professional employees, currently number about 11,000,000. Although the salary scales of these workers have risen less rapidly than factory wage rates, there is considerable evidence that they have increased substantially since January, 1941. Retail trade, an industry that employs many thousands of clerical and sales people, shows increases in hourly earnings of 25 per cent and substantial gains in weekly earnings. Other white-collar industries employing numerous clerical workers show increases in hourly and weekly earnings ranging from 15 to over 30 per cent. Even in small towns that are relatively unaffected by war production, salary adjustments of about 20 per cent have taken place.

—Monthly Labor Review 5/44

AMA OFFICE MANAGEMENT CONFERENCE

The Office Management Conference of the American Management Association will be held on Tuesday and Wednesday, October 17-18, at the Hotel Pennsylvania, New York City.

Personnel

A Streamlined Suggestion Plan

THE main objection to the average suggestion plan is that it is cumbersome and unwieldy, involving considerable paperwork and the continued attention of company officials who can ill afford to spare the required time. This objection has been eliminated in a streamlined, smoothly operating suggestion plan used successfully by Consolidated Vultee Corporation, Nashville Division.

The suggestion plan formerly used by Vultee followed the usual pattern. It involved a numerical file, a subject file in which all similar suggestions were grouped, a departmental file for keeping track of departmental activities, and an alphabetical file of employees, maintained for publicity purposes. Vultee's new system requires only one file and the attention of only two girls. File cards are maintained alphabetically. Color signals on the cards supply detailed information. For instance, red signifies "farmed out," green signifies "to safety engineer for investigation," brown signifies "periodic follow-up," etc.

Vultee's new system uses only two forms instead of the following 10 used formerly: (1) suggestion blank, (2) acknowledgment card (in duplicate), (3) numerical file card, (4) subject file card, (5) memo of incidental comments, (6) foreman's approval, (7) cost improvement report, (8) letter (in triplicate) from investigator to committee approving award, (9) a rejection letter written by the investigator, (10) award letter written by the investigator.

The main working sheet in Vultee's new plan consists of a four-page folder measuring 14" x 8½". This measure ment includes a 3" tear-off slip at the bottom of the folder. The employee is asked to fill out only the first and fourth pages of this report. The two inside pages (middle spread) are used for the investigator's report, approvals, committee report, and explanatory remarks.

Page 1 of the report reminds the employee that eligible suggestions must:

1. Conserve material, energy or time.
2. Eliminate or improve an existing method.
3. Eliminate or improve a tool, jig or fixture.
4. Eliminate an existing safety hazard.
5. Increase present output of a machine.
6. Improve the quality of the product.
7. Improve protection of property.

This page also contains space for the employee's sketch of the machine, part or improvement suggested.

On page 4, the employee places his name, occupation, clock number, and information pertaining to the subject, including assembly drawing number, part name, or tool number. Parallel columns provide space for comparing "Present Method" with "Proposed Method." In a brief summary, the employee is asked to state exactly what his suggestion will accomplish.

At the top of page 2, spaces are provided for the investigator's report. In columns headed "Present Method,"

"Proposed Method," "Revision" and "Summary," the investigator lists the cost of labor, material and equipment under the two plans, the expense of making the change, and the savings, net and gross, effected by the new method.

Page 3 contains spaces for approvals by the foreman or department heads, and for a report by the committee indicating date of approval and date and amount of award.

Page 4 contains space for "Explanatory Remarks," covering one or more of the following reasons for rejecting the proposal: (1) no definite proposal for improvement, (2) concerns a routine function, (3) covered by existing standards, (4) suggestion previously received on same subject, (5) job still in development stage, (6) savings will not justify expenditure, (7) other reasons.

The tear-off slips at the bottom of the pages are used to acknowledge receipt

of the proposal or to notify the employee that his suggestion has been rejected for one of the seven reasons listed above. If the plan has been rejected, the employee is asked to call the secretary of the suggestion committee for a more complete explanation.

The report described above is the focal point of Vultee's streamlined plan. It forms a compact history from the initial offering of a suggestion to its ultimate acceptance or rejection. The file card, previously mentioned, is filled out from the information contained in the report. The colored signals on the card indicate the progress and status of the proposal.

The entire plan is explained to the employees in an attractive booklet entitled *You, Too, Can Speed Victory*. Humorous sketches and simple text describe the full details of the award plan. *The Hiring Line*, Vol. 3, No. 3, p. 3:2.

Jobs for Handicapped Veterans

HANDICAPPED veterans of the current war are being absorbed into Detroit industries just as fast as they become available for employment, and they are proving a valuable source of new workers, as well as a good influence in the plants.

Briggs Manufacturing Company, Hudson Motor Car Company, and The Ford Motor Company were the first of the big Detroit manufacturers to invite the Veterans' Placement Bureau to refer handicapped veterans to them, and each now has a considerable number on its payroll.

"We have had about 140 referrals so far, and of these we have hired about

100," Henry J. Roesch, Briggs' director of industrial relations, said. "Some of them didn't care to accept the kind of work we had to offer; others simply couldn't stand the work or the conditions. One man who had a back injury, for example, and was wearing a brace, insisted on becoming a truck driver and we couldn't convince him that he wasn't capable of driving a truck safely. Others think they can find something more suitable, or they are looking for the same kind of work they did before they entered the services.

"We have hired veterans with almost every kind of handicap, including loss

of one eye, partial paralysis, shock, and wounds in all parts of the body, to say nothing of heart, lung, and stomach ailments. We place them on riveting, inspection, stock handling, welding, machine tool operations, and in the stock rooms, tool cribs, and offices.

"We don't publicize their cases. Fellow employees don't even know that they are veterans until the word gets around on the grapevine, which it soon does. Few of them like to talk about their experiences and practically none wants to be considered a hero. As a class, they are serious-minded, and genuinely interested in rehabilitating themselves. They apply themselves well, and they have a sobering influence on their fellow workers. We haven't had a grumbler yet, and we haven't had to discharge any of them.

"Some, however, have found that they couldn't stand the work or the conditions and have been forced to quit. For example, some who have suffered shock cannot endure certain noises which it is impossible to eliminate in our plants. In such cases, we are glad to help them find more suitable employment, if possible."

Hudson Motor Car Company reports that about 60 handicapped veterans are now on its payrolls, in addition to a considerable number of over-age veterans and other handicapped employees. Former service men have proved to be such excellent workers and morale builders in this plant that R. G. Waldron, personnel director, has asked all governmental agencies to send him as many as possible.

"Returned soldiers, sailors and marines who have been wounded and who have seen their buddies make the supreme sacrifice are outspoken about such subjects as absenteeism, strikes, careless talk and wasting of materials," this com-

pany said in a recent statement. "Fellow workers listen to the stories they tell about war materials being needed on the fighting fronts and become more serious about their work."

Ford had 85 handicapped veterans of the current war on the payroll at the time this was written. Ranging from men with shell-shock to those who have lost the sight of one eye or the use of one or both arms or legs, these veterans have been placed in jobs especially suited for them in the company's Rouge, Willow Run, and Lincoln plants. Such applicants are subjected to a special physical examination which emphasizes the testing of eyes, ears, heart, lungs and reflexes. They are then placed under the supervision of the medical transfer department, whose field men decide what job they are best suited for. Periodic check-ups are made on their progress and if they are found to be unsuitable for one job, they are transferred to another. As a man becomes adjusted or his wounds or injuries are overcome, he too is transferred to work which he has become able to perform.

At the Willow Run bomber plant, where the largest number of such veterans is employed, the medical transfer department gives each handicapped employee a card which states his disability and limits the work he can be asked to do. The foreman is not permitted to assign such men to other work or to transfer them without the consent of the medical transfer department.

Most notable among the many small plants that are hiring some handicapped veterans is the Melin Mills Tool Company. F. B. Fitch, factory manager, is himself a handicapped veteran, having

lost a leg in World War I, and for several years he has favored the employment of handicapped workers. Of approximately 100 employees in this company's Detroit plant, 54 per cent are handicapped in one way or another. Four of these are veterans of the present war, and about 10 are veterans of World War I.

Mr. Fitch thinks that his success with handicapped workers is due in considerable measure to the fact that he himself is handicapped. He recommends that employers engage a handicapped personnel man to interview handicapped appli-

cants. "One handicapped person can talk turkey to another," he said. "In interviewing handicapped veterans, I tell them that I am one of them and that the world does not owe us a living. It does owe us an opportunity to earn a living, but given such opportunity, it is then up to us to buckle down and make good. We have had only two veterans, both of World War I, who were imbued with the notion that the world owed them a living, and we fired both of them.

"Properly handled, handicapped persons make ideal employees."

Mill & Factory, October, 1943, p. 93:5.

How to Handle New Employees

A pioneer in the field of commercial aviation, Pennsylvania-Central Airlines is crossing some new frontiers with its recent experiments in employee relations. Inaugurating a novel indoctrination program, designed to take the "rough edges" from new workers, the company offers a concentrated course to familiarize them with PCA operations, history and aims.

The program consumes two full days, during which the new worker is not permitted to go near the work for which he has been engaged. First, he is interviewed and examined, then taken to the identification department for fingerprinting and photographing. Here, too, the company's group, accident and health insurance plans are explained.

The employee then joins other new workers in PCA's projection room, where, through movies, posters, charts and short talks by various supervisory personnel, he learns the salient facts of the company's history, organization, rules, etc. The next step is a luncheon, at company expense. This is followed by an all-afternoon tour of the plant and offices. Here he meets fellow workers and familiarizes himself with various operations and departments.

The new employee's second day is spent in the projection room, where he is given an opportunity to review the previous day's data and to ask questions. He is also shown a movie in which C. Bedell Monro, PCA's president, extends a personal greeting and introduces company officers.

After he has been with the company two weeks, he is given a special employees' handbook. The book is personalized by imprinting the worker's name on the cover, giving him the feeling that it was specially prepared for him. In addition, special courses are offered which present opportunities for self-improvement and preparation for added responsibility. Finally, a complete program of recreational activities is available, including music, photographic and model-building clubs.

—*Forbes* 5/15/44

Speed the Day of Victory!—Buy More War Bonds

A Code for Supervisors

REPUBLIC Aviation Corporation, Farmingdale, N. Y., has embodied in a "Supervisor's Code" some of the general principles which it believes should guide the supervisory force in its day-to-day relations in the organization. The Code consists of two parts, the first having to do with the line of organization and the second with the line of leadership. The Code reads as follows:

THE LINE OF ORGANIZATION

To promote cooperation, mutual understanding, increased production, and quality in all my relations with those above me who look to me for *results*, I pledge myself to:

1. Understand and carry out all company policies and procedures.
2. Know where the work for which I am responsible stands at all times.
3. Be constantly alert to see that quality standards are maintained and methods improved.
4. Go out of my way to help others.
5. See that the person above me in the line of supervision is regularly informed as to what goes on. Back-check with him if I am in doubt.
6. Keep an open mind on new ideas, methods, people and problems.
7. Stand on my own feet, and not "pass the buck."
8. Follow up my instructions regularly to see they are being carried out.
9. Develop and build those under me so that I shall always have an understudy.
10. Meet each day's problems cheerfully, with patience, persistence, reasonableness and understanding.

To do these things because only in this way can I merit the confidence and respect of those who have entrusted me with my responsibilities.

THE LINE OF LEADERSHIP

To promote cooperation, good will, and mutual understanding in all my relations with those under me who look to me for direction and instruction, I pledge myself to:

1. Take a personal interest in them by making a friendly contact at least once a day.
2. Explain all company programs and policies to them.
3. Get and keep their confidence, so that they will always feel free to come to me with any problems or misunderstanding.
4. Play no favorites.
5. Get all the facts before I act, and not jump at conclusions.
6. Give full credit to others when it is deserved.
7. Never discipline a person in front of others.
8. Sell quality of workmanship and safety every day.
9. Never promise things I can't deliver.
10. Treat the other fellow the way I would like to be treated in his place.

To do all these things because I still remember when I was once where they are now and because I want to help them do their job well. Only through them can I do my job well.

—ALBERT L. KRESS before the Twenty-Sixth Silver Bay Industrial Conference

• TO FILL 300 vacant jobs at Standard Register Company, the management has inaugurated a "Bring a Friend" campaign during which it will pay its workers \$10 in war stamps for each full-time employee and \$5 in war stamps for each part-time employee they recruit among their own friends. A statement in the company's house organ urges employees to contact their friends "by phone or letter or in person . . . to tell them that, regardless of their experience or ability, Standard can place them in a war job today that will be a peace job tomorrow." The success of a previous similar campaign prompted the new recruiting drive.

Promoting Industrial Peace

FOR 10 years the job of the Division of Labor Standards of the U. S. Department of Labor has been to help management and labor to improve industrial relations and working conditions, to promote industrial safety and health, and to strengthen labor laws and their administration.

Some of the resources of the Division of Labor Standards that the Working Conditions Service makes readily available to management and labor include:

1. Assistance in establishing and improving grievance machinery; technical help in preparing manuals and other materials for training foremen and union stewards in the techniques of settling plant grievances.

2. Special surveys to determine the causes in a particular plant of such problems as labor turnover and absenteeism; recommending programs for remedying the causes.

3. Advisory service on practical methods for increasing production by improving working conditions, particularly in relation to handicapped and older workers, women, young workers, and war veterans. Referrals are always made to other government agencies where facilities are available for handling specialized problems.

4. Assistance in setting up safety training programs for supervisory employees and union safety representatives.

The safety and health work of the Division of Labor Standards is aimed squarely at reducing the high industrial accident rate in war production plants. To meet the serious shortage of trained safety men, the Division has worked out

with the U. S. Office of Education an extensive War Safety Training program. Thus far, more than 54,000 selected men from private industry and Army, Navy and Maritime Commission establishments have taken the basic 96-hour safety course. This group, in turn, has given the simplified 20-hour in-plant course to almost 400,000 foremen and supervisors. Now a special training program is under way for union representatives on safety committees.

Another part of this wartime safety program is known officially as the National Committee for the Conservation of Manpower in War Industries. It is a unique experiment of 600 highly qualified safety engineers working as volunteer "special agents" of the Department of Labor. These men are all employed by private industry, but with the consent of their employers they devote about 20 per cent of their work time to free safety consultation service for war contract plants. They have visited over 20,000 plants and have succeeded in helping to reduce the accident toll substantially in three-fourths of these plants.

Studies of occupational hazards in specific industries have been made by the industrial hygiene specialists and safety engineers of the Division. One of the most recent studies, made at the request of management and the union, deals with toxic substances in the synthetic rubber industry. Studies of occupational poisonings in the viscose rayon industry and analyses of welding hazards have also been published.

Information about federal and state

labor laws is always much in demand, and the legislative section of the Division tries to put labor law facts into simple, brief, non-technical language. Recently digests have been made of the principal federal laws and executive orders affecting labor. Similar digests are now being made of some of the state labor laws and safety codes. While state legislatures are in session, a bi-weekly *Legislative Report* is issued giving a brief description and the status of all pending labor legislation. All these legislative reports, summaries and bulletins of the Division are available free on request. Because of its close relationship with state departments of labor, the Division of Labor Standards is able to serve as a national clearing-house on state as well as federal labor laws and administrative practices.

The Division of Labor Standards stands ready to make available any or all of its resources to management and

labor for promoting better industrial relations. Requests for information, publications, or advisory service may be made to the nearest regional field office or to the Division of Labor Standards, U. S. Department of Labor, Washington 25, D. C.

Recent publications of the Division of Labor Standards include: *Settling Plant Grievances*, Bulletin No. 60; *Preparing a Steward's Manual*, Bulletin No. 59; *Preparing a Foreman's Manual* (in preparation); *Wartime Working Conditions—Minimum Standards for Maximum Production*, Special Bulletin No. 13; *Controlling Absenteeism—A Record of War Plant Experience*, Special Bulletin No. 12; *Auditing Absenteeism—Methods and Forms Used by War Plants*, Special Bulletin No. 12-A; *Safety Speeds Production—A Message to Supervisors*, Special Bulletin No. 10; *Workmen's Compensation Laws*.

Personnel Digest, May, 1944, p. 28:2.

Development of Apparatus Tests

THIS article reviews recent industrial aptitude tests which utilize apparatus. Although tests that can be administered to a group are being used as far as possible by industry, some situations require a more complicated and individual procedure. Many such tests are described by Garrett and Schneck and by Bingham. Some more recent and extensive projects of various industrial organizations are described below. It is assumed that the reader is cognizant of the importance of validating such tests against a criterion.

The Woodward Governor Company

had the Industrial Division of the Psychological Corporation of New York make a study of its plant jobs with the purpose of setting up testing devices to aid in the selection of employees. Special testing machines were designed and built for a number of jobs, and eventually job tests were developed to measure the following abilities: blueprint reading, hand dexterity, machine skill, mathematical ability, mechanical skill, mental alertness, observation, technical judgment, technical ability, trade information, mechanical drawing, measurement ability, tool dexterity, personality and interests.

The success of these tests is indicated by Martin's statement that "as a measure for weeding out the untrainables, our aptitude tests have worked out just about 85 per cent." (I. C. Martin in *Sales Management*, 1941, 48, 18-20)

According to Oleen, of the Eagle Pencil Company of New York, the hiring of applicants without an adequate evaluation of their abilities results in 50 per cent of the employees developing into below-average workers. The Eagle Pencil Company uses three performance tests for inspector applicants. The first test, primarily a measure of manipulative ability, requires the applicant to sort 150 colored metal tubes into six compartments, according to color. Included among the tubes are a number of imperfects containing drilled holes which the applicant must place in a seventh separate compartment. The second test, primarily a measure of perceptive ability, consists of 100 small aluminum spirals, 50 of which have a small hole correctly punched $3\frac{1}{2}$ turns from the end. The remainder have holes punched at varying distances from the standard point. The test consists in sorting the defective spirals from the perfect ones. A time and error record is kept for each subject. The third test, a paper-and-pencil test designed to measure ability to judge small distances, requires the subject to check the off-center dots in 210 circles, there being one dot in each of the circles.

Drake (*Personnel Journal*, 1941, 20, 184-189) describes a performance test that was devised for the occupation of Foot Press Operator in the textile industry, a job involving the following basic requirements: 1. The replacing of six different rolls of material in the machine

as they became exhausted; 2. The ability quickly to detect and reduce jams in the machine; 3. The ability to anticipate machine jams by detection of material defects; and, 4. The ability to start and stop the machine whenever necessary.

The test apparatus, two by three feet in area, consisted of two flags, one red and one white, moving at different speeds around the outer edge of the apparatus. In some 11 turns, or a period just under three minutes, the red flag overtook the white flag. Located at six points around the course were contact areas two inches in length and identified by white strips. Both flags being on the same, or different, areas at the same time would cause a light to flash in the center of the apparatus board. Since there were six switches, each being connected to a contact area, the subject could prevent the light flashing on by pulling the switch that corresponded to the position of the red flag. Failure to pull the switch, pulling the switch too late, or pulling the wrong switch resulted in the flashing of the light and the scoring of an error. Inasmuch as the light would flash 19 times per cycle if no switches were pulled, a perfect score would constitute 19 correct pulls on the appropriate switches. All excessive pulls were scored as errors. Following a demonstration and explanation of the apparatus, each subject was given one or two practice trials, followed by two trials for which scores were recorded.

A comparatively new trend in test development has been the increasing emphasis placed upon the use of job analysis data as a starting point. Drake and Oleen, for example, advocate the use of job analysis techniques as the initial step in test construction, the analysis to

take into consideration the following factors: "1. Length of the cycle; 2. Nature of the elements of the cycle; 3. Sizes of materials or parts; 4. Serial order of elements of the cycle; 5. Three-dimensional positions of parts manipulated; 6. Incidence of finger, wrist, arm and body movements; 7. Posture of the operator; 8. Visual, tactual, and kinesthetic attentive factors; and, 9. Speed and rhythm of work." Drake's recent publication (*Personnel Selection by Standard Job Tests*, published by McGraw-Hill Book Co., Inc., New York, 1942) describes the design and industrial applications of special performance tests based upon job analysis and time and motion study data. Described in detail are tests designed to measure dual operation of the hands, hand-foot coordination, rhythm and speed, perceptual ability, etc.

Three reasons for the relatively low validity of employment tests are offered by Taylor of the Hawthorne Works, Western Electric Company: 1. Environ-

mental factors which may influence the subject's future behavior are intangible and unmeasurable; 2. Inferences must be drawn from the subject's performance on tests as to his success on a given job; and, 3. A test or battery of tests measures only a relatively few of the multitude of factors comprising an individual.

In conclusion, it may be stated that the complexity of a test of mechanical ability or aptitude will, in general, increase in proportion to the complexity or number of the job elements which it is designed to measure. For example, the basic skill elements required for successful performance on an unskilled repetitive job may be measured by such simple tests as sorting, tapping, manipulating pegs, etc., whereas the basic skill elements required for successful performance on a highly skilled non-repetitive job may have to be measured by a battery of tests, or a single complex test that has been specially designed for the job. By JOSEPH E. ZERGA. *Journal of Applied Psychology*, June, 1944, p. 199:4.

Boeing Rings the Dinner Bell

THREE times in each 24-hour day, the Boeing Airplane plants, Wichita, Kansas, prepare more than 15,000 well-balanced, appetizing meals for their workers. And they do it—here's a jolt for the housewife—on less than one ration point per person per day for meats, butter, shortening for baking, and similar items along these lines.

With Wichita virtually beefless, it is interesting to learn how plane makers are stacking up on the daily main dish. The Boeing force normally uses 3,000 pounds of meat a day, and each person has a choice of two meat dishes at a meal. It seldom comes nowadays in the form of fine steaks or tempting roasts. Instead, the chefs have to do a little "diluting" and sometimes mix the meat with spaghetti, noodles, grains, beans, sauces, etc. This doesn't mean that there are no appetizing trays of spiced ham, Canadian bacon, etc., from which to choose, because there are. It simply means that during the current beef shortage, the war workers take what the company can get and they like it.

The menu changes every day, but it is sure to include two kinds of meat, a soup, a half dozen varieties of hot vegetables, at least six different kinds of salads, cakes, several kinds of pies and other desserts, and a wide assortment of condiments and beverages.

While all this sounds like big business in the kitchens of a fine hotel, the average

Boeing employee pays 34 cents for his meal. His check is seldom over 40 cents, and the amount of food he buys with his money would necessarily cost him almost double that amount in commercial restaurants. Boeing cafeterias operate on a non-profit basis, which, combined with scientific handling of large quantities of food, results in low-cost meals. Some workers may have wondered why certain beverages, including coffee, cost six cents a cup at the plants. As the cafeterias are operated on a cost basis, the food supervisor explains that the cent increase was made to obtain over-all coverage on prices and "take up slack" which might necessitate an increase of two or three cents on the cost of meat dishes, which are now on a level of 12 cents each.

Imposing as are the mammoth Boeing kitchens, the pride and joy of the Food Service Department is a battery of 20 ultra-modern rolling cafeterias. These factory food ferries were especially built for Boeing to its own specifications after an exhaustive study of equipment in other modern industrial plants and of conditions peculiar to the Wichita division.

The rolling cafeterias are made of stainless steel. Each has a refrigerated compartment for salads, ice cream and fruit, and thermostatically-controlled warming compartments.

After being stocked with food, the rolling cafeterias are hooked to a small tractor and towed into the factory area. They are uncoupled at stations 250 feet apart, with the result that every worker can reach a cafeteria by walking only a few steps.

—*Trained Men* 11-12/43

Production Management

Tools of the Future

WHEN machine tool builders hear that postwar wage rates will be higher than prewar, they smile.

It means business for them.

Newly designed machine tools, and ones not yet born, will be relied upon to accomplish substantial reductions in cost, they are confident—helping when the war is won to hold down prices of mass-produced consumer goods, from autos and home electric equipment to bottled soft drinks.

The "machine tool of the future" will be "an entirely different animal than the machine tools we have dreamed about in the past." So says James Y. Scott, who is president of both the National Machine Tool Builders Association and the Van Norman Co., Springfield, Mass. He believes the trend will be away from "operational" tools to "process" ma-

chines which can take material and move it through 20 or 30 operations to turn out a finished product.

An example of the sort of thing to be expected is a machine called the "shape-master," just announced by the Monarch Machine Tool Company. It will perform tricks that formerly had to be done by hand, such as boring a square hole and making the square plug to fit. A few of these units were built just before the war, but production was suspended to clear the way for greater output of lathes. One of the jobs this machine can do is make molds for soft drink bottles. The molds, of high-grade gray iron, have in the past been chiseled out by hand. Cost reduction is about 75 per cent. The saving for more intricate molds to make plastic items is greater.

Again, demands of war production have called forth advances in machine tool accuracy and speed. A machine for milling and tapering aluminum extrusions cut production time on main beam and wing sections for P-38 warplanes at the Lockheed Aviation Corporation from 90 to 2-1/3 hours.

Jack and Heintz, largest manufacturer of automatic plane pilots, developed for its own use an "electric eye" machine to measure ball bearings to a tolerance of 1/100,000 of an inch. The firm claims that the speed of this one machine saves about \$2,000 a day in operating costs. It replaced slow operations by skilled workers.

Another "Jahco" machine is a contraption which replaces about 17 pieces of equipment and operations in drilling, machining and finishing a casting. Costs in this instance have been cut from \$3.88 per casting to 22 cents.

Builders of machine tools insist, however, that they have not got around to making really revolutionary changes in machine tools during the war. The Warner & Swasey Company reports that it takes four months to make a minor alteration in a machine tool, and around 10 months to effect a major change in design. Roughly speaking, the birth of a genuinely new tool is preceded by six months of designing, six months of testing, and six months preparing to produce it.

Slashing costs by using better tools is nothing new, of course. A decade ago Warner & Swasey Company systematized it—inaugurating "survey selling" of machines. Representatives spent six weeks, for instance, probing the turret lathe department of a large Cleveland manufacturer. The recommendation was that the firm dispose of the 25 oldest of its 38 lathes, replacing them with 12 new machines. Cost of the new equipment was \$28,378, counting allowance for sale of the used machines. It was calculated that if the department worked at full capacity for two years, the new equipment would pay for itself; if at half capacity, in four years.

A striking example of saving is provided by an automatic chucking machine, which finishes pieces partly formed by casting, produced by National Acme Company. Shortly before the war, a six-spindle instrument was installed for finishing automotive differential housings. With 18 operations, it does the work 20 machines formerly did and reduces the cost per piece by 70 per cent.

The same firm sold an eight-spindle bar automatic earlier this year to a firm that makes bicycle hubs. Performing 15 operations, this tool takes a bar of steel and converts it into a finished hub in 23 seconds. The four-spindle automatics it replaces did the job in 56 seconds. *The Wall Street Journal*, July 10, 1944, p. 1:2.

• **SURPLUS WAR PROPERTY** in the hands of industry is estimated at \$500,000,000 by the WPB and is increasing daily in volume. At the present time, surplus property of all kinds, excepting materials left over from terminated war contracts, is being disposed of at the rate of \$25,000,000 weekly. However, a recent summary estimate of government-owned surpluses at war's end made by the Surplus War Property Administration places the total at \$103,828,000,000. This compares with an approximate surplus of \$6,000,000,000 at the close of World War I.

—A.A.P.M. Bulletin 8/10/44

The Effects of Long Working Hours

THE pressure for maximum output in wartime generally leads to some lengthening of the workweek. By drawing on the reserve strength of the workers, factories may obtain greatly increased output for brief periods of time. Over extended periods, however, very long working schedules do not necessarily yield the greatest output. Absenteeism increases, injuries occur more frequently, and hourly efficiency declines until the total output from long hours of work may be actually less than could be obtained under a shorter working schedule.

No universal rule can be established for determining the most desirable schedule of hours under all circumstances. Careful studies of actual experience may suggest, however, the approximate schedule that will be most satisfactory under given circumstances. The Bureau of Labor Statistics has begun such studies by surveying six metal-working plants which have operated in wartime under two or more different schedules of hours.

One of the most immediate effects of lengthening the working schedule appears to be an increase in absenteeism. In one case there was little difference in the absenteeism rates under a five- and six-day week, as long as the daily hours were limited to 8. Absenteeism nearly doubled, however, when daily hours were raised to 9½, even though the five-day week was restored (reducing weekly hours from 48 to 47½). A subsequent increase in hours from 47½ to 55½, by adding a sixth day of 9½ hours, was associated with a still higher

rate of absenteeism, particularly on Saturday. This finding was corroborated by the experience of another plant where hours were raised from 48 to 58. On the other hand, absenteeism losses decreased when hours were decreased. It is perhaps indicative of the general national trend to higher levels of absenteeism losses during wartime that even at the lower hourly levels the absenteeism rates increased considerably after an initial period with low absence rates.

Information on the relation of accidents to hours of work is rather fragmentary so far, but in one case the time lost on account of injuries was twice as great under a 58-hour week as it had been under a schedule of 48 hours.

In general, and over an extended period of time, workers produced less per hour of work when the schedule was raised above 40 hours per week. Hourly efficiency dropped when the schedule was extended from 40 to 50 hours, from 50 to 58 hours, from 47½ to 55½, and from 52 to 58 hours. However, there were exceptions to this rule. In two cases average efficiency was about the same when 58 or 60 hours were worked as when the schedule had been 48 hours. Obviously, it is impossible to arrive at specific conclusions without bearing in mind the severity of the work performed and the demands made upon the physical and nervous energy of the workers. Of probably equal significance are the conditions under which the work is performed.

Balanced against the usual decline in output per hour under a long workweek is the greater number of hours during

which effort is applied. Total output per man-week was generally greater when the workweek was extended to 48, 50, 55½, 58 and even to 60 hours, than when much shorter schedules were in operation. Here again, there were important exceptions. A 47½-hour sched-

ule, on a five-day week, yielded a larger output than 48 hours on a six-day basis. In another plant, total output was fully as great under a 52-hour schedule as it had been under a 58-hour week. BY MAX D. KOSSORIS. *Monthly Labor Review*, June, 1944, p. 1131:14.

Hidden Profits in Your Shipping Room

HIDDEN away in the Gimbel building in New York work a number of men who during the last year have not only repaid their salaries but also returned to Gimbel Brothers a substantial profit. Their job is, to salvage the thousands and thousands of cardboard boxes, bags, crates, wooden boxes, and other containers that reach the store and make them available for re-use.

No hooks are used on cardboard boxes, bags, and other easily damaged containers received in incoming shipments. All cardboard boxes are slit open, not torn. Paper wrapping is unfolded or unrolled. In the case of bags, the sewing is cut open. Nails are drawn from wooden crates and boxes.

After the merchandise is inspected, it is either replaced in the container for storage or the empty container is stored in the shipping room. To the shipping room go also all emptied boxes from the stock rooms. Wrapping papers are placed away for future use. String is wound upon large rolls. Wooden boxes are held for further use. Crates are dismantled and the nails drawn. Bags are placed upon orderly heaps.

As the salvaged containers and other materials are stored away for re-use, they are at once graded for future usefulness. Three gradings are in use: prime condition, suitable for packaging, damaged.

Cardboard containers in prime condition are employed for packing merchandise for shipment to customers by mail, freight, or the trucks of the store. Those still useable for packaging but not sufficiently presentable for sending to customers are generally employed for return shipments to manufacturers and wholesalers. Damaged cardboard containers are used in making deliveries from the stockrooms to the floor of the store. The same practice applies to wrapping papers.

All badly damaged boxes, wrapping papers, and fillers are placed in a shredding machine and cut up into strips for fillers. What is left goes into a bailing machine and is sold to waste dealers.

The wooden strips of crates are sorted according to length and width. Damaged, splintered and broken ends are cut off with a bandsaw and the trimmed pieces stored. These are used for new crates or to repair damaged boxes and box covers.

Drivers are instructed to recover all packaging and containers where this can be done without slowing up the delivery service. These are returned to the shipping rooms and will be re-used as long as their condition permits.

—WALTER ALWYN SCHMIDT in *Shipping Management* 11/43

FALL PRODUCTION CONFERENCE

The Fall Production Conference of the American Management Association will be held on Tuesday and Wednesday, November 14-15, at the Hotel Pennsylvania, New York City.

Departmental Plan for Production Control

THE foreman of a department snowed under with war orders found it necessary to adopt a more efficient plan of work dispatching to meet exacting delivery requirements. Several factors had to be recognized in developing this plan for best results: (1) shop order number, (2) department "due out" date of each order, (3) final shipping date, (4) machines or operators who were to do the work.

A loose-leaf book, each page progressively dated at top, was prepared. If more orders were due out for one day than could be entered on any one page, additional pages could be inserted. The routing card which accompanies each order through the plant supplies the shop order number, the department due out date, and the final shipping date.

Upon receipt of each order, the routing card is separated and delivered to a dispatch clerk, who then enters the shop order number and the shipping date in the book on the page that bears the corresponding department due out date. The routing card is then filed according to shipping date.

In planning the next day's work, the clerk removes from the file the routing cards of all orders scheduled to leave the department during the following week. From these cards, a list in duplicate is prepared, giving shop order number, kind, size, quantity, and date due out of department. Each assistant foreman is given a copy, from which he locates and delivers to machines only the orders that are due to go out. Progress follow-up is provided for by clerk checking at three-hour intervals.

The best proof that this method of dispatching is effective is that orders, instead of being chronically late, now often leave several days ahead of schedule.

—J. E. JOHNSON in *Factory Management and Maintenance* 3/44

Safety Program Keeps Workers on the Job

SAFETY at Caterpillar Tractor Company, Peoria, Ill., begins at the five plant gates, where current posters remind workers of their obligation to stay on the job, and is continued from that point on by the safety and sanitation division, whose program is expressly designed to help company employees discharge that debt.

Heading the division is a safety engineer, and reporting to him are three safety inspectors, a safety store manager, a hygiene laboratory chemist, a sanitation supervisor, and a plant defense coordinator.

Safety inspectors operate on all three shifts and are in direct supervision of the people on the safety service carts. Shop conditions, such as layout, methods of operation, machine guards, and so on, are studied. Recommendations for improvements are relayed to the branch of management responsible for the particular zone or the type of problem involved.

Causes of all accidents are investigated, and steps taken to prevent recurrences. Operation of service cars, ambulances and other emergency equipment—except fire protection equipment—also comes under the safety inspectors' care.

The safety store procures, stores, fits and issues various items of safety equipment and apparel—spectacles, gloves, hand pads, head and eye protection devices, respiratory equipment, foot and leg protection devices.

The hygiene laboratory chemist investigates chemicals used in the manufacturing processes. Checks on atmospheric conditions are made regularly to be sure that the air is safe to breathe, and that ventilation and exhaust systems are in good working order.

The sanitation supervisor has a staff of janitors who clean and maintain general sanitation facilities, as well as take care of over-all housekeeping.

The plant defense coordinator takes care of training various units of the OCD organization, the emergency groups, visitor control, contacts with the FBI and the Army Security Branch, and coordination of safety meetings throughout the plant.

—*Factory Management and Maintenance* 4/44

Marketing Management

How to Lay Out Sales Territories

REALLOCATION or redivision of sales territories under normal business conditions is usually a painful process because most salesmen are anxious to preserve or add to the territories they have. However, now that many sales managers must consider most of their problems anew in planning to swing from a war to a peace economy, this is a good time to consider reallocating territories.

Five factors must be considered in approaching the problem. They are:

1. *Potentiality of the market.* Each territory must contain enough people who have sufficient money and a high enough standard of living to want and buy your product, so that selling to them will give your salesmen sufficient potential income.

At the moment, of course, market information is in a chaotic condition because of shifts in population and earnings brought about by war. However, reasonably accurate population figures, based on Ration Book No. 4, may be obtained from the Bureau of Census. These, compared with 1939 Census figures and weighted by past sales experience of the company, may provide a basic clue.

2. *Outlets for distribution.* The number, accessibility and density of outlets is an important factor in considering the size of territories. If the product is sold only to wholesalers, the territory will naturally be larger than if it is sold to retailers. And if it is sold to consumers, the territory is apt to be very small.

As a general rule, according to Burton Bigelow, sales counselor, a small terri-

tory will yield comparatively more than a larger one because the salesman will dig deeper for outlets. If the territory is large, he can afford to "high-spot," selling only the big, well-developed outlets.

3. *The competitive situation.* This can best be determined by past experience; although surveys and study of local newspapers for borax ads will give a good indication.

4. *Demand for product.* When a product is first introduced to the public, territories will naturally be large since little demand has been developed; but as demand becomes greater and distribution more intensive, they may be reduced. Products having fast turnover, such as household goods and foods, require many more visits to the trade than those in lesser demand and, therefore, the territory of a salesman selling a fast-moving product must be smaller to make more frequent coverage possible.

5. *General economic situation.* A good way to start the actual plotting of sales territories is to get a map showing all counties. On each county mark the annual market potential as determined from past experience, population, buying power, trading area and any other available data. Then determine how much of the total potential your company has or should have according to its competitive standing in the industry. Assign each county a quota.

Next, determine the annual performance to be expected of each salesman, giving him, of course, a sufficient income. If the performance figure is, say, \$1,000,000, all you have to do is block off con-

tiguous counties whose combined quotas total \$1,000,000.

Each territory must be designed with an eye on transportation facilities, so that it can be covered with a proper degree of intensity, so that it will keep the salesman comfortably busy and productive, and so that it can be covered at a minimum of expense. That can't be done if every territory is to have the same potential. But why have them equal? Make some a little larger, some smaller and fit your salesmen to the territories according to their abilities.

In an article published in *Printers' Ink*, December 1, 1939, Burton Bigelow gave a check list of factors to be considered in determining territory sizes. Here it is:

1. *Basic market opportunity* or potential.
2. *Density of outlets* or customers—i.e., distance between customers.
3. *Transportation*—ease or difficulty of travel.
4. *Extent of existing demand*.
5. *Extent of latent demand* and responsiveness of markets to sales effort.
6. *Competition* and counter competitive policies.
7. *Scope of salesman's duties*: Can he devote his whole time to selling—or is there a high percentage of service, engineering or other non-selling duties?
8. *Method of distribution*: If the product is sold to wholesalers, then calls will be fewer and territory can be larger. If to dealers, or consumers, calls are greatly multiplied and territory must be smaller.
9. *Speed of consumption* and re-

stocking: A perishable product, for example, stocked in small quantities, requires frequent customer calls to check and replenish stock if substitution and lost sales are to be avoided. In such a line, the territory would need to be small enough to meet this necessity.

10. *Sales expense* which territory will stand. If company policy requires the territory to pay its way at once, this perhaps dictates a territory of different size from that in cases where company policy permits "capitalizing" sales expense temporarily. Save in exceptional circumstances, territories are usually laid out on a strictly profit basis as far as possible.
11. *The earnings* required from the territory. Men on commission, for example, have minimum financial needs. Territories cannot be cut so small as not to produce this required minimum income.
12. *Shipping and warehousing consideration*.

After all these factors have been considered, the territory tentatively assigned should be re-examined with a critical eye to determine whether the salesman can cover it frequently enough: (1) to meet the customers' demands or needs; (2) to keep out unwanted competition.

Too long a lapse of time between visits is often a cause of lost customers. Too frequent contact is often a cause of high selling cost. Somewhere between these two undesirable extremes is usually to be found the practical point for profitable territory coverage. BY FRANK LaCLAVE. *Printers' Ink*, July 7, 1944, p. 26:3.

Building Salesmen's Morale

WHAT are some of the most important factors that enable a salesman to maintain high morale? In the TelAutograph Corporation, we consider, aside from established basic qualifications, the following factors as important in helping us build and maintain a salesman's morale:

1. Congenial home life.
2. Freedom from financial worries.
3. Satisfaction with location.
4. Liking for his territory.
5. Pride in his company.
6. Pride in his position.
7. Proper relationship with his supervisor.

We take particular pains to make sure that the salesman has a congenial family life. Generally it is impossible to build or maintain a high level of morale when a man is continually having family trouble, no matter where the responsibility may lie.

No salesman can be on top mentally if he is beset by financial worries. We take particular care to assure ourselves that each salesman is capable of managing his financial affairs. Furthermore, one of the main causes of low morale (in, perhaps, the less effective salesman) is the belief on his part that he is being underpaid. To avoid this, we make sure that the remuneration for the territory for which he is being hired is in line with his past earnings and at a level to meet, at least, his minimum requirements.

It has been our experience that the groundwork for high morale can be laid by proper indoctrination. We endeavor to make a new salesman feel that he is really "one of us," so that he will have a vital interest in our business and our problems from the outset. We tell him everything we can about our business so that he will go out in the field with a thorough knowledge of our problems.

We pay especial attention to whether or not a salesman is happy in his present location—no salesman can really do a good job in one city if, for instance, his wife and family are unhappy and homesick there.

We endeavor to keep a man "solid" on his own territory. There is a natural tendency on the part of most salesmen to think that their territory presents peculiar problems and to feel that they would be more successful in another. This can pull a salesman's morale down rapidly.

One of the outstanding factors that can influence a salesman's morale is whether or not he is genuinely proud of his position. In our day-to-day relations and supervisory contacts, we make our salesmen feel as if they are our partners in business—as indeed they really are.

Most important of all, a salesman's relationship with his immediate supervisor must be on the highest level, with no clash of personalities. There is nothing that destroys morale faster, and leaves a salesman in a bedraggled and futile mental state, than unnecessary or poorly handled clashes with his supervisor; on the other hand, no single factor can so raise a salesman's morale as the proper kind of supervision, tailored to fit the individual personality of the man being dealt with. No human being likes to be treated as one of a mob—and salesmen are, of course, no exception.

—From an address before the St. Louis Sales Managers Bureau
by J. B. CARLYON, General Sales Manager, TelAutograph Corp.

• MORE THAN 2,500 products manufactured or processed by 135 industries are ordinarily packaged in steel containers, according to findings of a recent survey released by F. J. O'Brien, president of the Can Manufacturers Institute.

—Good Packaging 7/44

Speed the Day of Victory!—Buy More War Bonds

Increasing Direct Mail Efficiency

PERHAPS the following things we have discovered about promotion-by-mail will not be news to you, but they have worked for us:

1. **Segregation.** It pays to make direct mail a separate division of your department. The maintenance of lists, the constant checking and infinite care that must be the foundation of a good direct mail operation, cannot exist under divided responsibility and divided work. Make somebody responsible for the maintenance of lists.

2. **Take List-Building Seriously.** Four years ago we killed 85,000 plates and then started from scratch. Too many good inquiries were going to waste, and too many salesmen's trips were a total loss. Names had been added to the list over a period of many years, some by this executive and some by that.

The only medicine for such a condition is an overdose of a purgative. Then start to rebuild a sound and accurate list. Before turning all our plates into scrap, we ran off galleys of every name on our list. We hired a young man with list-building experience and sent him out to work with our sales representatives. He stopped in each office for several days, or two weeks if necessary, sorted every name on the territorial galley sheets according to the salesman's recommendations. Then master lists of basic industries were double-checked against the names finally selected to be sure no prospects were left off. This job took about nine months, but its cost was comparatively small for the results obtained.

It's a big job to build a list properly,

however, and one second after the last plate has been cut, a certain percentage of the names are "off the beam." Here's the way we believe we've licked the addition and correction bugaboo:

Each representative is boss of the list in his territory, and never is a name added or removed without his authorization. Each has two sets of cards, blue and buff, and each card gives all the information we need as to type of industry, product-classification used, prospect, etc. When a correction is in order, the representative removes his buff card, notes the change, and mails the card to our advertising department. He holds the blue card in his file until the plate has been corrected, when two new duplicate cards are returned. In the case of a final "take off," the representative sends in his marked-up buff card and destroys his blue card immediately. Each representative has a pad of "Add to List" slips that he sends in with new names, keeping a carbon in his file until he receives the two file cards.

All mail returns are listed and sent to representatives for checking before removal. Also, all new names that we are able to pick up at our home office are submitted. How do we get the cooperation from the representatives? Principally it's this—constant work with them on the list problem, plus the fact that they are thoroughly sold on the job that direct mail will do for them.

3. **Drop Your Inhibitions.** Experiment around with types of direct mail to prove to yourself just the kind of a letter that does the best job. Don't you

think your representatives would be happy to get inquiries up to 40 per cent of this list? Well, it can be done. I feel I'm slipping if I don't get 10 per cent returns. We received a good many inquiries, many asking for a representative to call at once, others specifying the exact product needed and requesting the price at once. We have found that gadget letters, well conceived and han-

dled without any splash of color on company or distributor's letterheads, pull the best.

Here is another point worth considering: Where possible, tie in your local representative or distributor with the campaign. Run the letter on his stationery and have the returns go directly to him. BY JAMES S. McCULLOUGH. *Industrial Marketing*, July, 1944, p. 32:1.

Reducing the Cost of Distribution

WHILE most companies are planning to expand their sales organizations for post-war selling, many are asking the question: "Can we not maintain sales volume and reduce the cost of distribution by getting buyers to come to the source of supply and place their orders directly?" This question is being studied in particular by those concerns whose salesmen must travel with big sample cases to exhibit merchandise in the smaller centers.

Recently John J. Goodall, general manager of the Merchandise Mart in Chicago, said a reduction in the cost of distributing consumer goods may be expected if retailers extend the practice of personally shopping for merchandise at sources of supply. "The 'come and get it' buying system stands a good chance of becoming general," predicted Mr. Goodall. "The saving is expected to permit an over-all scale-down of distribution costs by manufacturers. . . . Since the beginning of the war, the increase in the number of retailers who make purchases in the Mart building during in-between market periods has been accelerated."

—*Dartnell News Letter* 3/18/44

War Food Packaging

FOOD packaging research conducted since the outbreak of the war by the Army Quartermaster Corps, in collaboration with private industry, is credited with having currently reduced Army food losses by 90 per cent, as compared with the first year of the war.

Faced with the need for insuring a steady flow of foods in usable condition to the world fighting fronts, and with this problem complicated by climatic conditions, the Quartermaster Corps program has succeeded in overcoming practically all hazards of handling, insect infestation, mould and weather. Illustrative of this progress, recent examination in the field showed only 50 V-boxes out of 181,899 inspected in the South Pacific area damaged, as contrasted with frequent reports of broken cartons and rusted containers during the earlier stages of the conflict.

Industry, because of the current container stringency, will not be able to avail itself fully of the improvements and new discoveries in food packaging technique while the war lasts. The results of this program, however, should be apparent in substantially improved food packaging procedure in the postwar era, with consequent additional "shelf life" for packaged foods and a corresponding reduction in food waste.

—*The Journal of Commerce* 8/11/44

Speed the Day of Victory!—Buy More War Bonds

Financial Management

Cost Reduction for Postwar Operation

WHAT will be the industrial situation in the postwar period? I do not think that anyone really knows, but it seems to be generally believed that during the early part of the postwar period, at least, costs will be high. Presumably, material costs will still be considerably above normal; labor groups will be insistent on maintaining high wage levels; taxes are bound to be high even if Federal, state, and local governments make herculean efforts to practice economy. Beyond that, we can only conjecture what the industrial situation will be. There is a point, however, which I believe is certain, and it is this—very, very shortly in the postwar period, *costs must be reduced.*

Reduction of Material Costs:

As to materials, the purchase cost may not be readily reducible during the early part of the postwar period since it is composed largely of the labor and expense cost of preceding processors. But there are other factors of material cost to which attention can be directed without delay:

1. Substitution of materials less costly but of equal or greater utility.
2. More efficient purchasing, storing and internal plant transportation of materials being processed.
3. More effective use of material and less waste. Examples in several industries follow:
 - a. In furniture and other wood-working plants, there should be definite specifications as to

proper lengths, widths, and thicknesses of lumber to be drawn from the piles so that cutting waste will be at a minimum. Proper kiln-drying to avoid "checking" at ends of boards, and proper adjustment of planers, shapers and other equipment will help further.

- b. In metal working industries, proper use of patterns and templates to avoid cutting waste in use of sheet metals; use of proper-size bar and rod stock to avoid excessive waste on lathe operations, etc.
- c. In garment industries, the careful use of correct cutting patterns to avoid cutting waste.
- d. In paper manufacturing, maximum yield of pulp through efficient chipping and cooking, and through recovery of pulp remaining in water passing the screens of the paper machine.

Accounting Controls:

Before passing on to possible savings in other elements of cost, let us consider the cost controls from an accounting standpoint. I advocate starting with a simple type of cost controls on an actual basis. Predetermined standards and other refinements have their place in certain types of business *after* and, I firmly believe, not before reliable data are obtained on an actual basis.

Accordingly, accounts will be set up

and reporting procedure provided for accumulating actual costs of direct material, direct labor, and the necessary analysis of manufacturing overhead by departments or sub-departments. In most cases, quantities of materials and principal supplies used will be reported at principal stages of manufacture and the data accumulated for comparison with weight of product produced. The cost and quantitative data can be accumulated by the week, month, 28-day period, or whatever period is desirable.

Accounts and reporting steps will be provided also for recording sales and selling expenses by whatever divisions are logical in the particular case. This might, in some businesses, be by product lines; in others it might be by sales channels, territories, or salesmen, or by a combination of several divisions.

Reduction of Labor Costs:

I believe in high labor rates, but the time paid for should in many cases be more productive. Unquestionably, in many plants, the workers themselves are partly responsible for inefficiencies, and the desirable type of worker generally responds to leadership and instruction in more efficient methods. However, let us consider here some steps of a different nature:

1. Planning and scheduling of work in advance for steady operation will help considerably to reduce idle time.
2. Better supervision all down the line and thoughtful direction by management to encourage more intelligent, more technically informed, and more cost-conscious supervision will be found to increase labor efficiency.

3. Technical improvements through joint efforts of engineers, methods and time study men, and superintendents and foremen can be effective in increasing production by:

- a. Development of additional tools and jigs which permit workmen to increase their output. I was in a machine shop recently where the plant superintendent and machine shop foreman had in three years more than doubled the *over-all* production by the use of inexpensive home-made jigs.
- b. Studying the difficulties and bottlenecks to production and ironing them out.

4. Laying out equipment for straight-line operation as far as possible will avoid unnecessary labor for back-tracking within departments, between buildings, and between plants in other cities.

Reduction of Manufacturing Overhead:

Because of the mechanization of industry, manufacturing overhead is necessarily high, and will be higher. However, it contains waste that can be eliminated, and this portion frequently represents a considerable part of cost. For example:

1. *Water*—Metered city water for industrial use may be expensive. It can often be arranged to use lake, river or well water for cooling and other process use, for boiler feed water, for flushing purposes, etc.
2. *Steam*—Uncovered steam mains lose a great many heat units. Together with faulty joints in the mains and distribution pipes and defective valves and steam traps,

they can increase the fuel bill considerably.

3. *Compressed Air*—Walk through the factory when it is not working and listen for compressed air escaping from defective couplings, valves, hose and hoists. Not only repairs to faulty equipment but change from handle-type to spring-shut-off valves may be necessary—where the equipment permits—in order to avoid loss caused by carelessness in not shutting off the air valves.
4. *Electricity*—Savings in electricity do not mean penny pinching on necessary lights but vigilance against burning lights and running motors unnecessarily, against defective motors and connections, dirty lamps and fixtures, and walls which steal light. Selection of efficient electrical equipment is also important.
5. *Fuel Oil*—In operating fuel oil furnaces for foundry work, annealing ovens, etc., efficient operation depends to a large extent upon the proper mixture of oil and air.

If these furnaces are not equipped with modern mixture burners, a large waste of oil may result from careless adjustment of valves. Some concerns with old-style equipment control the oil by inserting into the union in the oil feed line to each furnace a brass disc drilled with a small hole large enough to allow the proper amount of oil under pressure to pass through. Savings of 30 to 35 per cent of the oil previously consumed are usual from this step.

6. *Gas*—Are the furnace walls and doors well insulated, do the doors fit tightly, and are they kept shut except for loading and unloading? The heat within the furnaces may be accurately controlled by very fine pyrometric instruments because the process requires it, and at the same time from 10 to 30 per cent (and sometimes more) of the gas bill may represent waste due to poor construction, lack of proper maintenance, and careless loading and unloading.

BY HOWARD A. GIDDINGS. *N.A.C.A. Bulletin*, July 1, 1944. 14 pages.

Merchandising Program Re-Vamped

SOME years ago Pepsodent sales were declining seriously, largely because the product had been the favorite loss-leader football in drug stores, and dealers were tired of selling it in vast quantities at little or no profit. The company junked its entire merchandising and selling setup in favor of a firm and unequivocal policy of resale price maintenance. A list of nearly 1,000 "wholesalers" was trimmed to 300 bona fide drug wholesalers. Every wholesaler's stock of Pepsodent products was inventoried, and he was given a check for every bit of merchandise on hand. From then on every wholesaler got goods on consignment only, and the company held title to them. Within a month sales had dropped 31 per cent. The second month they dropped 36 per cent. A barrage of contests and special offers was launched, including the Amos 'n' Andy baby-naming contest, and slowly but surely sales climbed and dealers got back on the right side of the fence.

—Marketing 7/29/44

Insurance Aspects of Share-the-Ride Plans

AN amendment to the Revised Tire Rationing Regulations promulgated in June of 1942 encouraged throughout the country various so-called share-the-ride plans. There are many variations of these plans, but essentially they provide that two or more workers will alternate in the use of their cars either daily or weekly, as the agreement may be, and that in event one is transported who does not own a car or use a car, he will pay the others a compensation, perhaps no more than equivalent to his proportionate share of the cost of the gasoline and oil in the automobiles in which he is carried. The question arising is simply this: What is the liability of the driver and owner of the car in event of an injury to one of the others transported?

Before the promulgation of the amendment to the Revised Tire Rationing Regulations, the driver of the automobile, of course, was liable for his negligence resulting in injury to his passenger when the driver was either a public or a private carrier, that is to say, when he was paid compensation for the carrying. However, such a general and uniform rule could not be stated with reference to the liability of a driver to a gratuitous guest or passenger. As to this relationship, the states may be divided into three groups. First, those states in which it is held under the common law that the owner or operator of an automobile who invites or permits another to ride with him as his guest is bound to exercise reasonable care for the safety of his guest—i.e.,

states in which the owner or operator is liable to his guest if his guest is injured by reason of the owner's or operator's mere negligence. Except as changed by statute, this is a rule in general applicable to all the states in the union with the exception of the states falling in the next category. Second, states where the courts have held, purportedly based upon the same considerations of common-law principles, that the owner or operator of an automobile is liable to a guest riding gratuitously only for gross negligence. In this category we find Massachusetts and Georgia. (Note: In Massachusetts simple negligence is sufficient for death cases by reason of special statute.) Third, those states in which the legislatures have passed so-called guest acts exempting the owner or operator from liability to a guest, with varying exceptions in each of the acts. These exceptions run the gamut from intoxication, through intentional acts, wilfulness, reckless disregard, wanton disregard, and gross negligence. As there is a wide diversity of language used in making the exceptions, so also is there no uniformity in the phraseology in defining "guests." Some use "as a guest without payment"; some, "without compensation"; some, "as a guest or by invitation and not for hire"; and yet others, "as a guest who accepts a ride without giving compensation." Generally we can agree that the different phrases mean essentially the same thing, and they have been so interpreted by the courts.

As to those states where it is held that the owner or operator of an automobile who invites or permits a person to ride with him as a guest is bound to exercise ordinary care for the safety of the guest, the share-the-ride plans can raise no essentially new questions. Whether the one being transported has paid compensation or not, the owner or operator is liable to him for his negligence. In those states holding that the owner or operator is liable only for gross negligence, it is necessary, in order to determine the legal questions arising out of share-the-ride plans, to determine whether the owner or operator is paid for transportation. For all essential purposes, that question is determined in these states in the same manner as in the states having guest statutes, and will not here be specially treated. In fact, in this discussion it can be considered that the courts of Massachusetts and Georgia have by their judicial decisions and in the absence of legislative enactment constructed "guest" laws. In the third class of states—that is, those states having guest statutes—we are confronted with the proposition as to whether those in the share-the-ride plan are guests of the one who owns and operates the automobile at a given time or are passengers for hire. Of course, if it be determined that the occupant of the car is a gratuitous guest, then he cannot recover for injuries sustained by the mere negligence of the owner or driver, but before recovery must bring the driver of the car within one of the exceptions of the statute, to wit, wantonness, wilfulness or reckless disregard, as the case may be. Therefore, in order to determine the legal questions arising out of the share-the-ride program, it is necessary in these

states (that is, in the states having guest statutes) to determine whether or not the share-the-ride plan is such that it must be said that the owner or operator is paid or is given compensation for transporting the other members of the plan.

However, it is not necessary for the one transported to make payment in cash for his transportation to relieve him of the provisions of the guest statute. If he is being transported for the mutual benefit of himself and the driver or owner of the car, he is not a guest but a passenger. See *Bree v. Lamb* (1934), 120 Conn. 1, 178 A. 919. A guest is one who takes a ride either for his pleasure or his own business without making any return to or conferring any benefit upon the driver of the car other than the mere pleasure of his company.

The situations where compensation has been deemed made without the actual payment of money were pretty well catalogued in the case of *McCann v. Hoffman* as follows:

- (a) When the carriage is of a prospective purchaser of real estate or other customer riding in contemplation of mutual business of the parties.
- (b) When the relation is that of principal and agent or employer and employee, or otherwise the passenger is performing services for the principal.
- (c) When the plaintiff is an involuntary rider (for example, a small child incapable of giving consent).
- (d) When the compensation was paid by third persons.
- (e) When the benefit received was the use of the property as garage space.
- (f) When the plaintiff accepted the ride at the behest of the driver to assist the latter in arriving at his destination or fulfilling the objects of his journey.
- (g) When otherwise a benefit of a tangible nature was conferred upon the driver or his principal by reason of transportation.

In this same cause it is held, however, that the sharing of the cost of gaso-

line and oil consumed on a trip where that trip is taken for pleasure or social purposes is nothing more than the exchange of social amenities and does not transform into a passenger one who without such exchange would be a guest, and that the relationships which will give rise to the status of a passenger must confer a benefit of a tangible nature.

It was held by the Supreme Court of

New Hampshire that a workman who carries other workmen to their place of work upon an understanding that they would contribute toward the expense of operating his car enjoys a pecuniary gain from the arrangement by reason of the lessened cost of operation, and is therefore transporting passengers for payment. BY LENN J. OARE. *The Insurance Law Journal*, October, 1943, p. 7:10.

Countersignature Laws and the S.E.U.A. Decision

THE recent decision of a lower federal court in Idaho, holding the resident agency countersignature and commission law of that state unenforceable as an unreasonable restriction on interstate commerce, is an excellent example of the uncertainties which the United States Supreme Court decision in the Southeastern Underwriters Association case made inevitable. There is nothing final about it, but, until an appeal has gone through the Supreme Court, no one in the insurance business will know the status of these laws. And, unless the final decision is an improbable sweeping aside of all such laws, it is likely that more than one case will be needed for a full clarification of the issues.

Actually, the Idaho law was not a particularly restrictive one. Its only outstanding feature was a high fee for a non-resident broker's license, \$100, but this fee applied to fire insurance only. Otherwise, it provided that all policies except life covering risks within the state must be countersigned by a licensed resident agent, who must be paid at least 5 per cent commission. Supreme Court decisions during the 20 years prior to *U. S. vs. S.E.U.A.* had clearly established a law of this type as constitutional and enforceable.

It is significant that this case was not started by the federal department of justice or by any other outsider. It was simply a suit between a company and an agent, but it would certainly have not arisen had there been no S.E.U.A. case. There is no question of any anti-trust law reaching a state countersignature law—but there is the reasonable question of whether the holding "insurance is commerce" of itself invalidates many such laws. Despite the obvious unwillingness of insurance men to start disobeying state laws right and left, there seems no way in which the full effect of the S.E.U.A. decision can be determined without many court actions. In other words, much of the old legal structure of insurance regulation has to be reexamined, and the Idaho countersignature case is only the first of many.

It is by no means a foregone conclusion that all countersignature laws will be invalidated. The Supreme Court—and it seems almost certain that this case will reach it—may find reasons for holding that the S.E.U.A. case does not knock out this countersignature law. Or it may distinguish between various laws, perhaps drawing a line between single risks owned by non-residents and risks which are part of interstate chains.

If countersignature and commission laws should go or be severely restricted, insurance men will not be unanimously sad. Many have regarded these laws, particularly the more drastic ones, as unfortunate uses of state supervision. More than one farsighted commissioner has felt them to be part of the big problem of "Balkanizing the United States"—a condition which, before the war, was most manifest in such fields as regulation of interstate trucks, sales and use taxes, and attempts to restrict migratory workers.

—The National Underwriter 8/3/44

The Comprehensive Insurance Rating Plan

THE Comprehensive Insurance Rating Plan is one of the most important, as well as interesting, developments to emerge from World War II. It represents a revolutionary change in the concept of insurance coverage.

The Comprehensive Rating Plan, which may be applied to national defense projects for which compensation and employers' liability insurance is approved by or recommended by the government or any agency thereof, is essentially a form of retrospective rating with a maximum premium equal to 90 per cent of the standard premium increased to provide for state taxes. The premium is equal to the sum of a fixed charge which corresponds to the basic premium under the standard Retrospective Rating Plan, plus modified losses, plus all actual allocated claim expense, all multiplied by the tax multiplier, but subject to the maximum allowable premium times the tax multiplier.

The plan permits coverage for Workmen's Compensation, Automobile Bodily Injury Liability, Automobile Property Damage, Comprehensive Bodily Injury Liability, and Property Damage Liability, other than automobile. Under Workmen's Compensation the plan allows full coverage together with occupational disease coverage by endorsement or in jurisdictions without compensation laws. It limits Employers' Liability Insurance within the compensation field to \$50,000 per person in any single accident, and, subject to that limit for each person, \$100,000 for injuries in a single accident sustained by two or more persons. The Comprehensive Liability form must

be used with respect to Automobile Bodily Injury Insurance with the same \$50,000 and \$100,000 limits as aforesaid.

Mechanically, it should be noted that it is permissible under the plan for the primary contractor and the subcontractor to have their risks grouped by the insurance company into a single combined coverage operation.

The plan contemplates that once the insurance becomes effective it must be continuous and concurrent until completion of the project or operation if of a definite duration. However, if the operation or project is of an indefinite duration, then it shall be assumed that the coverage is for a period of two years.

Initially, certain tax problems presented themselves. For example, at the time new legislation was being proposed prior to the final enactment of the Revenue Act of 1942, no one, apparently, gave any studied consideration to the tax treatment which should be accorded so-called return premiums under such a plan. It was only after the new law had been enacted that the companies discovered that here was a situation which needed immediate clarification. It couldn't be done by amending the statutory provisions; it was too late for that. However, the regulations, as finally promulgated, did satisfy the companies by permitting these return premiums to be included in "unearned premiums." This is of considerable importance, since the annual increase in unearned premiums is deductible from gross premiums in arriving at net underwriting income.

Another problem is the question of the

applicability of state premium tax laws to the premiums paid for coverage of cost-plus contracts. Although the cost burden falls on the Federal Government, the incidence of this tax is not directly on the government, so that in effect the tax is not a state tax upon an instrumentality of the Federal Government. This would no doubt be the result of any test case covering a state tax on such premiums in view of the decision of the Supreme Court in the now famous case of *Alabama v. King & Boozer*, 314 U. S. 1 (1940). This case involved the question of whether the Alabama retail sales tax, which is collected from the seller but which he must collect from the buyer, infringed on constitutional immunities

where a cost-plus contract was involved. The Supreme Court, in reversing the Supreme Court of Alabama, held that the legal incidence of the tax was not on the Federal Government and refused to recognize that "burden" was sufficient to bring about constitutional immunity. In other words, the legal incidence of the Alabama sales tax was on the contractor and the mere shifting of the burden through the government's contract to reimburse the contractor was not deemed by the Supreme Court as interfering with the constitutional immunity on government purchases. BY CHARLES W. TYE. *The Insurance Law Journal*, October, 1943, p. 3:6.

Compensation Coverage Doubles

BACK in 1939, employers paid about \$248.2 million for workmen's compensation coverage by stock and mutual companies. The defense program lifted premiums to \$332.5 million by 1941. In 1943, they stood at approximately \$485.2 million, and the volume of insurance has held at a high level since then.

Every state and territory of the United States, with the sole exception of Mississippi, has statutes requiring private employers to carry insurance protecting employees against death or injury arising from their work. This means that in fast-growing states, like those on the Pacific Coast, the compensation insurance business has boomed. California premiums have more than doubled—from \$30.3 million in 1939 to \$73.4 million last year.

Premium rates range from very low, such as Illinois' six cents per \$100 of payroll for inside clerical help, up to New York's sky-high \$42.17 per \$100 of payroll for steel erection workers. The rate in Reno, Las Vegas, or the fashionable Lake Tahoe resorts, is 80 cents per \$100 for blackjack or faro dealers, roulette or crap table operators. Nevada dude-ranch cowboys take a \$4.80 rate, providing they don't go in for broncho-busting or exhibition trick riding, which come higher.

Private insurance companies, however, get none of the Nevada business. This is one of seven states in which state government funds have a monopoly; the others are Ohio, North Dakota, Oregon, Washington, West Virginia and Wyoming. In a number of other states, government funds compete with private insurance funds. In New York, which is the biggest single market, the State Insurance Fund took in about 30 per cent of the \$115.5 million in premiums written in 1943. (This total compares with \$85.6 million in 1939.) California's governmental fund did about 18 per cent of all state business.

—The Wall Street Journal 7/26/44

Speed the Day of Victory!—Buy More War Bonds

Survey of Books for Executives

Price Making in a Democracy. By Edwin G. Nourse. The Brookings Institution, Washington, D. C., 1944. 541 pages. \$3.50.

*Reviewed by E. T. Grether**

The distinguished author of *Price Making in a Democracy* is preaching a gospel, viz., that the American economic system of free enterprise may be saved by a conscious, deliberate low-price policy on the part of business managers. Dr. Nourse supports his dogma well—the bulk of the volume is devoted to broad, fundamental analysis and interpretation. Ultimately, however, he discards exposition, analysis and scientific prediction for an all-out appeal to the intelligence and sense of responsibility of business leaders.

"Low-price policy," negatively, is to be distinguished from (1) flexibility in pricing, (2) the frequency and amplitude of price fluctuations, and (3) emergency, depression and tactical price cutting. Positively, it is not defined succinctly except that it "is intended to refer to the position of a given price in relation to others, not its short run variations" (p. 152) for it is "a shorthand abbreviation for a comprehensive economic philosophy" (p. 154). The conclusion is premised on an "underlying

solidarity of interest among all parts of an economy" . . . expressing itself in a "common concern for maximum production" (p. 423). This basic individual and group objective, it is well argued, is furthered best by a policy of lower prices by contrast with price maintenance or price increase (certain exceptions are admitted, however). Although the author's appeal is general, he stresses particularly the strategic significance of a low-price policy in the automobile and electric industries. The restrictionist tendencies in recent times in the guise of "stabilization" programs under the aegis of trade associations are noted and dismissed, because he is hopeful that the common dependence upon a large and maintained national income may lead business at the end of the war to adopt volume of production as its goal. He points out that market analysis and demand manipulation, cost accounting, scientific management, and the new public relations concept could be employed in support of this general objective.

In developing his thesis, the author devotes the larger portion of the volume to a discussion of (1) the nature of price making and of competition in our economic system at present in relation to evolutionary developments, and (2) certain problems in the application of a low-price policy (areas of applicability, appraising the responsiveness of market

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demand, distribution costs, wages as cost and as market, the timing of price changes).

Price Making in a Democracy cannot be read too widely, especially by business executives. Theoretically, the author's case is sound—a generalized "low-price policy" intended to maximize production and employment would be the wisest choice for American enterprise. Unfortunately, however, historical perspective in relation to the inherent functioning of industrial and market competition do not allow one to be optimistic concerning Dr. Nourse's faith that business in the main may be expected to pursue the low-price course. The stronger likelihood is that free enterprise will be saved not alone by its good works but by grace (resuming our initial theological simile)—i.e., by government which will assume the responsibility for residual unemployment.

British Standard Packaging Code. Prepared by Committees of the Packaging Industry Committee, British Standards Institution, London, 1943. 427 pages. 5s. 10d.

*Reviewed by Albert W. Luhrs**

Overseas shipments made by our armed forces early in the war forcefully demonstrated the fact that insufficient attention had previously been paid to packing and shipping specifications for war matériel and supplies. One step taken toward remedying the situation was the preparation and issuance of the well-known Container Coordinating Committee manual.

The British also experienced many of the same packing problems that our services encountered. This new British Standard Packaging Code, prepared by the British Standards Institution with the cooperation of all the important government agencies, performs in Great Britain exactly the same function that the Container Coordinating Committee manual does in this country. Its purpose is to standardize packing specifications and methods, and thus greatly simplify the problems of contractors and container manufacturers. At the same time a guide is made available which provides packing and packaging specifications for the countless items for which no detailed specifications have been prepared. Goods packed in accordance with the Code can be considered adequately packed for overseas shipment.

The British specifications have in general been patterned after American methods, with modifications to meet available British materials and equipment. The Code outlines the factors to be considered in determining the proper choice of container and the kind of interior packing required. These include the size and weight of the article to be shipped, its shape, fragility, surface finish, corrodibility, hygroscopicity, etc. Separate sections of the Code then follow which cover the proper specifications for all the principal types of containers and packing materials in general use, with the exception of details on glass containers and corrosion-prevention procedure which are still in preparation. In addition, data is provided on tensional strapping, sealing tapes, cordage, and cushioning materials. A final section describes the various standard testing

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methods for container materials. The sections of the Code dealing with cloth bags, metal cans, and wrapping papers are more complete than corresponding sections in the American manual.

An excellent guide is now available to

the British procurement agencies. Following the war, this Code and the American manual should be of considerable assistance to American commercial exporters in designing and specifying their export packing and packaging.

EVALUATING APPRENTICES. By O. L. Harvey. Apprentice-Training Service, Bureau of Training, War Manpower Commission, Washington, D. C., 1944. 20 pages. Gratis. This booklet meets a long-felt need for technical advice on how to determine the cost of training apprentices, as compared with the value of their production while in training; as well as how to record the skills apprentices acquire as they advance from one step of their training to the next. It has been prepared especially for training directors and others responsible for apprentice training. These pertinent questions are discussed comprehensively in two fact-finding articles contained in the booklet (entitled respectively "Cost of Training and Value of Production of Apprentices" and "Apprentice Record Cards"), which appeared originally in *PERSONNEL*.

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